Ter Beke IFRS accounting policies and disclosures

Summary of principal accounting policies

Basis of presentation

The consolidated financial statements are presented in thousands of euros, under the historical cost convention, except that derivatives and available-for-sale financial assets are stated at their fair value. In the case where there is no reliable market value or no estimate of the fair value, the financial assets are carried at cost. Assets and liabilities that are hedged, are measured at fair value for the amount of the hedged risk.

The accounting policies were applied consistently in the entire Group and with the previous year. The comparative information has been restated in accordance with IFRS.

Principles of consolidation

The consolidated financial statements include the financial information of Ter Beke NV and its subsidiaries and joint ventures as well as the Group's share in the profit or loss of its associates.

Subsidiaries consolidated using the full consolidation method

Subsidiaries are enterprises over which Ter Beke NV exercises control. Control is the power to govern, directly or indirectly, the financial and operational policies of an entity so as to obtain benefit from its activities. The financial statements of these subsidiaries are included in the consolidated financial statements from the date when the control is acquired until the date it ceases to exist.

Joint ventures

A joint venture is a contractual arrangement whereby Ter Beke NV and other parties undertake, directly or indirectly, an economic activity that is subject to joint control. The share of the Company of each of the assets, liabilities, income and expenses of the jointly controlled entity is combined with similar items, line by line, in its financial statements.

Entities accounted for using the "equity"-method

Entities accounted for using the "equity"-method are companies in which Ter Beke NV, directly or indirectly, has a significant influence, but over which it has no control. The consolidated financial statements include the Group's share in the profit or loss using the "equity"-method, from the date the significant influence is acquired until the date it ceases to exist.

If the Group's share of the losses of an associate exceeds the carrying amount of the investment, the investment is carried at nil value and recognition of additional losses is limited to the extent of the Group's commitment.

Eliminations

All intra-group balances and intra-group transactions, including the unrealised gains arising from intra-group transactions, are eliminated when the consolidated financial statements are prepared.
Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the enterprise, against the investment in the joint venture or the associate. For unrealised losses the same elimination rules apply as for the unrealised gains, unless these losses are an indication for impairment.

Foreign currencies

Transactions in foreign currencies

In the entities of the Group, the transactions in foreign currencies are translated using the exchange rate of the transaction date. Monetary assets and liabilities in foreign currencies are translated using the closing rate applicable on the balance sheet date. Gains and losses arising from transactions in foreign currencies and from the translation of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities in foreign currencies are translated using the exchange rate of the transaction date.

Financial statements of foreign entities

All foreign operations of the Group are located in the Euro zone, with the exception of Ter Beke UK. The assets and liabilities of this foreign entity with a certain degree of autonomy are translated to Euro using the exchange rate applicable on the balance sheet date. The income statement of this entity is translated in Euro monthly, using the average rates that approximate to the rate of the transaction date. The resulting translation differences are accounted for directly through equity.

Segment information

IAS 14 defines a business segment as a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

The segment reporting is based on two segment reporting formats.

Based on its mission, strategy and management structure Ter Beke has chosen to divide the activities of the Group in two businesses (business segments): “Meat” and “Prepared food” and use this as its primary segment reporting format. The secondary segment reporting format is based on the geographical regions where the Group operates (geographical segment).

The profit or loss of a segment includes the revenue and the expenses that are directly generated by a segment, including the portion of the revenue and expenses that can be allocated on a reasonable basis to a segment.

The assets and liabilities of a segment include all assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities do not include taxes.

Discontinued operation

A discontinued operation is a component within the activities of the Group that:

- Has been disposed of or is classified as held for sale as a consequence of a specific plan;
- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- Can be distinguished for operational and financial reporting purposes.

Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits which are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed at each financial year end.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technological knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes prior to commercial production or use, is capitalised if the technical and commercial feasibility of the product or process is demonstrated and if the Group has the adequate resources required for completion of the project. The capitalised expense include the expenditures related to resources, direct personnel costs and the relevant portion of the overhead costs. Capitalised expenditures for development are measured at cost less any accumulated amortisation and any accumulated impairment losses. All other expenditures relating to the development phase are recognised as an expense when they are incurred.

Since the development costs of Ter Beke do not meet the recognition criteria, they are recognised as an expense in the income statement.

Other intangible assets

Other expenditures for internally generated intangible assets, e.g. brands, are recognised as an expense in the income statement when they are incurred.

Other intangible assets acquired by the Group, e.g. licences or software, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

Intangible assets are amortised on a straight-line basis over their expected useful lives from the moment the assets are available for use.

The applied amortisation rates are:

Computersoftware	20 %
Licences	10 %

Goodwill

Goodwill represents the excess of acquisition cost over the fair value at the date of acquisition of the Group's share of the net assets acquired. Goodwill is measured at cost less impairment losses. The impairment tests take place at least once a year.

Property, plant and equipment

An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and if the cost of the item can be measured reliably.

Owned property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Cost includes the purchase price, non-refundable taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating. The cost of self-constructed assets includes direct material costs, direct manufacturing costs, a relevant portion of the depreciations and impairment losses of the assets used for the manufacturing. Borrowing costs are not capitalised.

Maintenance and repair costs related to the asset are recognised in profit or loss as incurred. They are only capitalised when they increase the future economic benefits that flow to the enterprise.

Items of property, plant and equipment are depreciated using the straight-line method beginning from the date on which the asset is available for use and over the expected useful life of the asset.

The main annual depreciation rates that are currently applicable:

Buildings	3.33 and 5 %
Installations	5 and 10%
Machinery and equipment	14.3, 20 and 33.3%
Furniture and transportation equipment	14.3, 20 and 33.3%
Other property, plant and equipment	10 and 20%

Land is not depreciated because it is assumed that it has an indefinite useful life.

Government grants

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of those assets. They are recorded in the balance sheet at their expected value at the time of initial government approval, and corrected, if necessary, after final approval.

Leases

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Property, plant and equipment acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Property, plant and equipment acquired by way of a finance lease are depreciated over a term in accordance with their expected useful lives or with the lease term, if shorter.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding liabilities, with the exception of the finance charges, are recognised on the balance sheet under non-current interest-bearing liabilities.

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Investments recognised under non-current financial assets include investments in entities over which the Group can not exercise control.

Investments, also the non-current investments in shares, are classified as available-for-sale and are recognised against fair value except for shares that do not have a quoted market price and for which fair value cannot be reliably measured.

Investments that cannot be measured at fair value are recognised at cost. Gains and losses on changes in the fair value of available-for-sale financial assets that are not part of a hedging transaction are recognised in equity.

Upon disposal of available-for-sale investments or when the carrying value of the investment is reduced to nil because of impairment losses, cumulative gains or losses previously recognized in equity are charged to the income statement.

The fair value of available-for-sale investments is their quoted price on the balance sheet date.

In those cases where the Group has, direct or indirect, more than 20% of the voting rights and/or is able to exercise a significant influence on the financial and operating policy decisions, the investments are accounted for using the “equity”-method. When there are indications that an investment has lost part of its value, the principles of impairment of assets are applied.

Derivatives

The Group allows the use of derivatives only for the management of operational and financial risks.

The Group uses derivatives to hedge the risks with respect to negative changes in interest or exchange rates.

Initially derivatives are measured at cost. After the initial recognition, these instruments are carried at fair value in the balance sheet. The processing of the resulting gains or losses depends on the nature of the hedged item.

The fair value of financial derivatives for the hedging of the interest rate risk is calculated based on the discounted expected future cash flows taking into account the current interest rate risk and the return over the remaining term of the instrument. The fair value of foreign exchange forward contracts is the quoted market price on the balance sheet date, which is equal to the present value of the quoted forward rates.

Derivative financial instruments that are not designated as hedging instruments
Changes in the fair value of derivative financial instruments that are not designated as hedging instruments are recognised immediately in the income statement.

Hedging of recognised assets and liabilities
Gains or losses arising from the measurement of derivatives that were formally designated as hedges for the changes in the fair value of recognised assets and liabilities, are recognised in the income statement together with the gains or losses on the measurement of the hedged item at fair value.

Cash flow hedges

Changes in the fair value of a hedging instrument that qualifies as a highly effective hedge against the variability in future cash flows related to recognised assets or liabilities, or highly probable forecast transactions or unrecognised firm commitments, are recognised directly in shareholders’ equity,

When the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognised directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability.

For all other cash flow hedges, gains and losses initially recognised in equity are transferred from equity to the income statement when the hedged transaction affects the profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively and the cumulative gain or loss is retained in equity until the committed or forecast transaction occurs. If the committed or forecast transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the income statement.

Hedge of a net investment in a foreign operation

When a derivative is designated as a hedge of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Impairment of assets

At each balance sheet date the carrying values of the assets of the Group, with the exception of inventories and deferred tax assets, are reviewed for impairment. Whenever there are indications for impairment, the recoverable amount is estimated.

The recoverable amount of the receivables of the Group is determined by the discounting of the expected future cash flows using the discount rate equal to the actual interest rate capped in the relating asset. Current receivables are not being discounted.

The recoverable amount of other assets is the highest of the net selling price (net realisable value) or the value in use. The value in use is determined by the discounting of the expected future cash flows using a discount rate before taxes. This discount rate reflects the time value of the money and the specific risks related to the asset.

When an asset does not generate cash flows itself, in accordance with IAS 36, the recoverable amount will then be determined for the cash-generating unit of the asset.

Whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount an impairment loss is recognised in the income statement.

Reversal of impairment losses recognised in prior years is recognised in the income statement when there has been a change in the estimates used to determine the asset's recoverable amount, but only for an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. However, impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost. The cost of inventories comprises all direct costs of production or purchase and material and a relevant portion of the indirect costs of production or purchase and material. It also comprises the relevant portion of depreciation and impairment costs of the assets used in the production process. Administration costs are comprised only when they are related to the production.

Inventories are measured using the FIFO method. When the cost is higher than the net realisable value, the inventories are measured at the lower net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Trade and other receivables

Trade and other receivables (e.g. receivables with respect to a finance lease, recoverable taxes, interest to be received, current loans) are measured at their nominal value less impairment losses.
At the end of the reporting period an estimate is made of the doubtful debtors based on an evaluation of all outstanding amounts. Doubtful debtors are reduced to nil in the period in which they are identified.

Receivables with respect to a finance lease are measured at the inception of the lease at the present value of the future lease payments. During the lease term the lease payments are deducted from the amount of the receivables.

Cash and cash equivalents

Cash includes cash on hand and balances with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash, cash equivalents and short-term deposits are carried in the balance sheet at nominal value.

Non-current assets held for sale

Non-current assets (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. The sale of these assets is highly probable and the assets are available for immediate sale in their present condition. The management is committed to sell the assets and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Equity

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares ('treasury shares') are presented in the balance sheet as a deduction from equity. When those shares are subsequently sold, the relating consideration received, shall be recognised directly in equity.

Dividends

Dividends are recognised as a liability in the period in which they are formally granted.

Share-based payments

The amount of the liability of the Group with respect to share-based payment transactions is the fair value of the share options. This fair value is based upon the fair value of the shares on the date they are granted. Over the vesting period this liability is recognised as an expense and a change in equity based on an estimation of the number of options that will be exercised.

Provisions

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, which is expected to result in an outflow of resources embodying economic benefits which can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured by discounting the expected future cash flows using a discount rate before taxes. This discount rate is a reflection of the time value of money and the specific risk related to the liability.

A provision for restructuring is only recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly before the balance sheet date. A provision cannot be recognised for expenditures associated with the ongoing activities of the entity

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received under it.

Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for service rendered by employees.

Employee benefits include:

- short-term employee benefits, e.g. wages, salaries and social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses and non-monetary benefits for current employees
- post-employment benefits, e.g. pensions and life insurance
- other long-term employee benefits
- termination benefits
- and share-based compensation

· Pension plans

The pension plans of the Group are mainly defined contribution plans and only a few defined benefit plans.

Defined contribution plans
For defined contribution plans the contributions paid are recognised immediately in the income statement.

Defined benefit plans
For defined benefit plans, the amount recognised in the balance sheet is the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains and losses, less the fair value of any plan assets and any past service costs not yet recognised.

When this calculation amounts to a net surplus, the value of the resulting asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. If the unrecognised cumulative gains or losses are more than 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, this surplus will be recognised in the income statement over the expected average remaining service life of the participants. In all other cases, the actuarial gains or losses will not be recognised.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised as an expense immediately.

The present value of the defined benefit obligation and the related current and past service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate is the yield at balance sheet date on high quality corporate bonds which have maturity dates approximating to the terms of the Group's obligations. The amount charged to the income statement consists of current service cost, interest cost, the expected return on any plan assets and recognised actuarial gains and losses.

Termination benefits

Termination benefits are recognised as a liability and an expense when an entity of the group is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy (prepensions).

When termination benefits fall due more than twelve months after the balance sheet date, they shall be discounted using a discount rate equal to the yield at balance sheet date on high quality corporate bonds which have maturity dates approximating to the terms of the Group's obligations.

Variable payments

The variable payment of employees and management is calculated based on key financial figures and balanced scorecards. The expected amount of the variable payments is recognised as an expense in the related reporting period.

Interest-bearing liabilities

Interest-bearing loans are measured at cost less transaction costs. Subsequently they are measured at amortised cost, while each difference between the cost and the repayment value is recognised in the income statement over the term of the loan based on the effective interest method.

Trade and other liabilities

Trade and other liabilities are measured at nominal value.

Tax liabilities and assets as required by IAS 12

Income taxes comprise current and deferred taxes. Both taxes are included in the income statement, except to the extent that the tax arises from a transaction which is recognised directly in equity. Current income taxes include expected tax charges based on the accounting profit for the current year based on the tax rate applicable at the balance sheet date and adjustments to tax charges of prior years. Deferred taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxes are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realised, based on tax rates enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised;

Deferred tax is also recognised for temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is not probable that the temporary difference will reverse in the foreseeable future.

Revenue

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales

Revenue from sales of goods is recognised when the transfer of risks and rewards has been completed. Sales are recognised net of sales taxes and discounts.

This revenue is recognised when there is no significant uncertainty about the collectability of the receivable, the related costs or the possibility of return.

Other revenue

Rental income is recognised as in the income statement on a straight-line basis over the rental period. Royalties are recognised in the income statement on an accrual basis in accordance with the terms of agreement.

Financial income

Financial income includes the received interest and dividends, foreign exchange gains and the income from hedging instruments that are recognised in the income statement.

Interest is recognised when it is realised on a time-proportional basis (taking into account the effective yield on the asset), unless there is uncertainty about the collectability.

Income from dividends is recognised in the income statement at the moment they are granted.

Foreign exchange differences from non-operating activities and gains from hedging instruments for non-operating activities are also presented under financial income.

Costs

The costs are presented by nature in the income statement. Expenses related to the reporting period or previous reporting periods are recognised in the income statement, regardless of the moment on which they are paid. Expenses can only be transferred to a next period if they meet the conditions for the recognition of an asset.

Purchases

Purchases of trading goods, materials, supplies and services are recognised at cost, after deducting trade discounts.

Research and development, advertising and promotion costs and system development costs

Research, advertising and promotion expenses are recognised in the income statement in the period in which they are made. Development and system development expenses are recognised in the income statement in the period in which they occur, unless they qualify for capitalisation.

Borrowing costs

The borrowing costs include e.g. interest on loans, foreign exchange losses and losses on hedging instruments that are recognised in the income statement.

Borrowing costs on current and non-current loans include the interest expenses and other borrowing costs relating to these loans and are recognised in the income statement when they are made.

The interest expenses relating to the payments for a finance lease are recognised in the income statement using the effective interest method.

The payments relating to an operating lease are recognised in the income statement on a straight-line basis over the lease term.

Foreign exchange differences from non-operating activities and losses from hedging instruments for non-operating activities are also classified as borrowing costs.