

Explanatory notes on Statement of Financial Position

Note 1 - Investment in Subsidiaries

On 23 January 2015, the Company increased its investment in Delfi Marketing, Inc. ("DMI"), a wholly owned subsidiary in the Philippines, by PHP 135 million (equivalent to US\$3.0 million) by subscribing for an additional 1.35 million ordinary shares with a par value of PHP 100 each in the share capital of DMI. The consideration was paid in cash and funded through the Company's internal resources.

Note 2 - Capital Expenditure on Property, Plant and Equipment

Compared to 2Q 2014, capital expenditure for 2Q 2015 was lower Y-o-Y by US\$7.5 million. This reflected the Group's prudent investment strategy in light of the slowing economy in Indonesia. The capital expenditure was funded mainly through the Company's operating cash flow.

The allocation of this capital expenditure by geographical region is as follows:

	2Q 2015	2Q 2014	1H 2015	1H 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Indonesia	5,109	12,255	12,009	18,098
Regional Markets	409	773	515	1,118
	5,518	13,028	12,524	19,216

Note 3 - Borrowings

	Group		Company	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Bank overdraft	24,711	22,741	-	5
Bank borrowings	26,225	32,631	-	-
Finance lease liabilities	5,503	8,224	420	533
Trade finance	8,054	10,414	-	-
	64,493	74,010	420	538
Breakdown of borrowings:				
Current	57,984	64,806	104	139
Non current	6,509	9,204	316	399
	64,493	74,010	420	538

The lower trade receivables and inventories have enabled the Group to generate operating cash flow to reduce its borrowings by US\$9.5 million to US\$64.5 million as at 30 June 2015.

substantiated or justified. The claims referred to above are being challenged. There is therefore a dispute.

On 17 December 2013, the Company announced that it had filed a Notice of Arbitration on 16 December 2013 with the Singapore International Arbitration Centre to resolve disputes arising out of and in connection with the SPA. On 27 January 2014, Barry Callebaut filed a response to the Company's Notice of Arbitration in which they added two new claims amounting to US\$4.7 million, bringing the total amount claimed to US\$103.0 million. These further claims are also being challenged.

The Company will provide further updates if there are material developments. The final net gain on disposal and net proceeds on disposal can only be determined after the dispute is resolved.

The Company will keep shareholders updated and further announcements will be made in due course.

Notification of Tax Claims

As announced on 24 February 2015, pursuant to the SPA on 30 June 2013, the Company and Barry Callebaut entered into a Tax Deed of Covenant ("**Tax Deed**"). Under the Tax Deed, Barry Callebaut is required to notify the Company of any claim for taxation which could give rise to a liability after completion of the sale of the Cocoa Ingredients business to Barry Callebaut. Barry Callebaut has notified the Company of various claims from the Brazil tax authorities against Delfi Cacau Brazil Ltda, which Barry Callebaut purchased as part of the sale of the Cocoa Ingredients business, which are:

- (1) A claim of Brazilian Real ("BRL") 18,588,593.72 in connection with a tax assessment of the "Social Integration Program/Public Employee Savings Program" and the "Contribution for the Financing of Social Security";
- (2) A claim of BRL 227,440.04 for unpaid import tax arising from the import of a bean roaster; and
- (3) A claim of BRL 15,643,285.54 for unpaid tax duties arising from the import of cocoa beans.

The claims amount to BRL 34,459,319.30 (which is equivalent to US\$12.8 million) in total.

While reserving its rights in relation to the notifications, the Company has requested Barry Callebaut to defend these claims. The management believes that there are grounds to resist these claims and, therefore, no provision has been made.

Review of Financial Position and Cash Flow

Balance Sheet as at	30-Jun-15	31-Dec-14	Change
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Cash and cash equivalent	151,383	171,953	(20,570)
Total Assets	441,391	470,492	(29,101)
Borrowings	64,493	74,010	(9,517)
Shareholders' Equity	280,551	297,183	(16,632)
Current ratio	2.26	2.32	

As at 30 June 2015, the Group's cash balance totaled US\$151.4 million which comprised mainly the sales proceeds received from the divestment of its Cocoa Ingredients business on 30 June