
Annual Report and Accounts 2013

Group Consolidated and Company Financial Statements 2013

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Statement of Directors' Responsibilities for the year ended 31 July 2013

The directors are responsible for preparing the Annual Report and the Group consolidated and Company financial statements, in accordance with Swiss law and regulations.

Company law requires the directors to prepare Group consolidated and Company financial statements for each financial year. Under that law, the directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law and to prepare the Company financial statements in accordance with Swiss law and the Company's Articles of Association.

This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the Group consolidated and Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing each of the Group consolidated and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with IFRS and the requirements of Swiss law and the Company's Articles of Association.

They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

On behalf of the Board



Denis Lucey
Chairman, Board of Directors



Owen Killian
CEO, Member of the Board
of Directors

26 September 2013

Group Consolidated Income Statement

for the year ended 31 July 2013

in EUR '000	Notes	2013	2012
Revenue	1	4,503,690	4,207,667
Cost of sales		(3,279,291)	(3,023,420)
Gross profit		1,224,399	1,184,247
Distribution expenses		(564,458)	(553,385)
Administration expenses		(296,688)	(292,996)
Operating profit before net acquisition, disposal and restructuring-related costs and fair value adjustments		363,253	337,866
Net acquisition, disposal and restructuring-related costs and fair value adjustments	2	(117,356)	(99,629)
Operating profit		245,897	238,237
Share of profit after tax of associates and joint ventures	6	22,057	14,200
Profit before financing income, financing costs and income tax expense		267,954	252,437
Financing income	3	10,534	11,758
Financing costs	3	(74,438)	(77,069)
Profit before income tax expense		204,050	187,126
Income tax expense	9	(48,258)	(24,572)
Profit for the year		155,792	162,554
Attributable as follows:			
Equity shareholders		129,415	146,264
Non-controlling interests	27	26,377	16,290
Profit for the year		155,792	162,554
Earnings per share for the year			
	Notes	2013	2012
Basic earnings per share	11	euro cent 124.3	150.8
Diluted earnings per share	11	123.5	149.7

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income

for the year ended 31 July 2013

in EUR '000	Notes	2013	2012
Profit for the year		155,792	162,554
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign currency net investments		(237,352)	246,802
– Foreign currency borrowings	21	91,854	(156,513)
– Recycle of foreign exchange gain on settlement of quasi-equity loans	3	–	(668)
– Recycle on disposal of joint venture	2	(3,653)	–
– Taxation effect of foreign exchange translation movements	9	(1,630)	6,863
– Share of joint ventures and associates' foreign exchange translation adjustment	15	(2,035)	1,639
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		4,941	(3,522)
– Fair value of cash flow hedges transferred to income statement		(1,588)	720
– Deferred tax effect of cash flow hedges	9	(817)	259
– Share of joint ventures and associates' gain/(loss) on cash flow hedges, net of deferred tax	15	339	(1,275)
Total of items that may be reclassified subsequently to profit or loss		(149,941)	94,305
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial loss on Group defined benefit pension plans	25	(3,840)	(10,710)
– Deferred tax effect of actuarial loss	9	356	2,002
– Share of associates' actuarial loss on defined benefit plans, net of deferred tax	15	(4,552)	(4,379)
Deferred tax effect of change in tax rates	9	(462)	(858)
Total of items that will not be reclassified to profit or loss		(8,498)	(13,945)
Total other comprehensive (loss)/income		(158,439)	80,360
Total comprehensive (loss)/income for the year		(2,647)	242,914
Attributable as follows:			
Equity shareholders		(21,913)	228,663
Non-controlling interests	27	19,266	14,251
Total comprehensive (loss)/income for the year		(2,647)	242,914

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet as at 31 July 2013

in EUR '000	Notes	2013	2012
Assets			
Non-current assets			
Property, plant and equipment	12	1,141,847	1,022,587
Investment properties	13	22,984	29,268
Goodwill and intangible assets	14	2,905,242	2,871,982
Investments in associates and joint ventures	15	45,235	127,384
Other receivables	17	39,433	37,223
Deferred income tax assets	24	71,146	85,465
Total non-current assets		4,225,887	4,173,909
Current assets			
Inventory	16	297,641	281,917
Trade and other receivables	17	678,845	553,566
Derivative financial instruments	22	1,821	422
Cash and cash equivalents	20	626,922	547,474
Total current assets		1,605,229	1,383,379
Total assets		5,831,116	5,557,288

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued)

as at 31 July 2013

in EUR '000	Notes	2013	2012
Equity			
Called up share capital	26	1,172	1,172
Share premium		773,735	773,735
Retained earnings and other reserves		1,888,112	1,648,223
Total equity attributable to equity shareholders		2,663,019	2,423,130
Non-controlling interests	27	97,610	86,225
Total equity		2,760,629	2,509,355
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	1,157,435	1,330,446
Employee benefits	25	22,339	23,710
Deferred income from government grants	23	25,251	10,210
Other payables	18	48,190	24,580
Deferred income tax liabilities	24	402,016	412,122
Derivative financial instruments	22	2,136	2,008
Contingent consideration	19	8,570	–
Total non-current liabilities		1,665,937	1,803,076
Current liabilities			
Interest-bearing loans and borrowings	21	348,274	261,119
Trade and other payables	18	1,004,142	942,340
Income tax payable		46,570	27,440
Derivative financial instruments	22	1,354	3,916
Contingent consideration	19	4,210	10,042
Total current liabilities		1,404,550	1,244,857
Total liabilities		3,070,487	3,047,933
Total equity and liabilities		5,831,116	5,557,288

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity

for the year ended 31 July 2013

31 July 2013 in EUR '000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Revalua- tion reserve	Share- based payment reserve	Foreign currency trans- lation reserve	Retained earnings	Total share- holders equity	Non controlling interests	Total
At 1 August 2012	1,172	773,735	(57)	285,004	(2,381)	15,403	10,148	140,298	1,199,808	2,423,130	86,225	2,509,355
Profit for the year	-	-	-	-	-	-	-	-	129,415	129,415	26,377	155,792
Other comprehensive (loss)/income	-	-	-	-	2,268	-	-	(148,078)	(5,518)	(151,328)	(7,111)	(158,439)
Total comprehensive (loss)/ income	-	-	-	-	2,268	-	-	(148,078)	123,897	(21,913)	19,266	(2,647)
Issue of perpetual callable subordinated instrument	-	-	-	319,442	-	-	-	-	-	319,442	-	319,442
Transfer of share-based payment reserve to retained earnings	-	-	-	-	-	-	(8,699)	-	8,699	-	-	-
Release of treasury shares due to exercise of LTIP	-	-	1	-	-	-	-	-	-	1	-	1
Share-based payments	-	-	-	-	-	-	7,416	-	-	7,416	395	7,811
Equity dividends	-	-	-	-	-	-	-	-	(43,517)	(43,517)	-	(43,517)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,935)	(8,935)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(1,993)	-	-	1,993	-	-	-
Dividend accrued on perpetual callable subordinated instrument	-	-	-	-	-	-	-	-	(19,898)	(19,898)	-	(19,898)
Total contributions by and distributions to owners	-	-	1	319,442	-	(1,993)	(1,283)	-	(52,723)	263,444	(8,540)	254,904
Dilution due to vesting of Origin management equity entitlements	-	-	-	-	7	(30)	(3)	54	(687)	(659)	659	-
Non-controlling interest forward contract	-	-	-	-	-	-	-	-	(983)	(983)	-	(983)
Total transactions with owners recognised directly in equity	-	-	1	319,442	7	(2,023)	(1,286)	54	(54,393)	261,802	(7,881)	253,921
At 31 July 2013	1,172	773,735	(56)	604,446	(106)	13,380	8,862	(7,726)	1,269,312	2,663,019	97,610	2,760,629

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued) for the year ended 31 July 2013

31 July 2012 in EUR '000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Revalua- tion reserve	Share- based payment reserve	Foreign currency trans- lation reserve	Retained earnings	Total share- holders equity	Non controlling interests	Total
At 1 August 2011	1,061	632,951	(30)	285,004	260	17,148	24,989	44,054	1,118,659	2,124,096	72,410	2,196,506
Profit for the year	-	-	-	-	-	-	-	-	146,264	146,264	16,290	162,554
Other comprehensive (loss)/income	-	-	-	-	(2,721)	-	-	95,910	(10,790)	82,399	(2,039)	80,360
Total comprehensive (loss)/ income	-	-	-	-	(2,721)	-	-	95,910	135,474	228,663	14,251	242,914
Issue of treasury shares	41	-	(41)	-	-	-	-	-	-	-	-	-
Issue of shares, net of costs	70	140,784	-	-	-	-	-	-	-	140,854	-	140,854
Transfer of share-based payment reserve to retained earnings	-	-	-	-	-	-	(21,682)	-	21,682	-	-	-
Release of treasury shares due to exercise of LTIP	-	-	14	-	-	-	-	-	-	14	-	14
Share-based payments	-	-	-	-	-	-	6,872	-	-	6,872	193	7,065
Equity dividends	-	-	-	-	-	-	-	-	(41,490)	(41,490)	-	(41,490)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,437)	(6,437)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(1,361)	-	-	1,361	-	-	-
Dividend accrued on perpetual callable subordinated instrument	-	-	-	-	-	-	-	-	(16,642)	(16,642)	-	(16,642)
Total contributions by and distributions to owners	111	140,784	(27)	-	-	(1,361)	(14,810)	-	(35,089)	89,608	(6,244)	83,364
Dilution due to vesting of Origin management equity entitlements	-	-	-	-	80	(384)	(31)	334	(5,807)	(5,808)	5,808	-
Non-controlling interest forward contract	-	-	-	-	-	-	-	-	(13,429)	(13,429)	-	(13,429)
Total transactions with owners recognised directly in equity	111	140,784	(27)	-	80	(1,745)	(14,841)	334	(54,325)	70,371	(436)	69,935
At 31 July 2012	1,172	773,735	(57)	285,004	(2,381)	15,403	10,148	140,298	1,199,808	2,423,130	86,225	2,509,355

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement

for the year ended 31 July 2013

in EUR '000	Notes	2013	2012
Cash flows from operating activities			
Profit for the year		155,792	162,554
Income tax expense	9	48,258	24,572
Financing income	3	(10,534)	(11,758)
Financing costs	3	74,438	77,069
Share of profit after tax of associates and joint ventures	6	(22,057)	(14,200)
Net gain on acquisitions, disposals and dilution	2	(20,249)	(3,722)
Asset write-downs and fair value adjustments	2	51,595	20,221
Acquisition and restructuring-related payments in excess of current year costs		(7,804)	(7,201)
Depreciation of property, plant and equipment	12	92,852	90,679
Amortisation of intangible assets	14	120,215	111,491
Recognition of deferred income from government grants	23	(2,644)	(1,581)
Share-based payments	8	7,344	6,068
Other		(2,527)	(272)
Cash flows from operating activities before changes in working capital		484,679	453,920
(Increase)/decrease in inventory		(27,167)	(5,347)
(Increase)/decrease in trade and other receivables		(23,071)	(22,913)
Increase/(decrease) in trade and other payables		35,562	20,402
Cash generated from operating activities		470,003	446,062
Interest paid		(70,544)	(70,118)
Interest received		2,530	2,625
Income tax paid		(40,014)	(49,219)
Net cash flows from operating activities		361,975	329,350

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement (continued) for the year ended 31 July 2013

in EUR '000	Notes	2013	2012
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		10,230	6,852
Proceeds from sale of investment property		–	485
Purchase of property, plant and equipment			
– maintenance capital expenditure		(51,568)	(51,832)
– investment capital expenditure		(112,195)	(60,136)
Grants received	23	79	–
Acquisitions of subsidiaries and businesses, net of cash acquired	29	(311,609)	(92,310)
Disposal of joint ventures and associates		18,260	4,675
Purchase of intangible assets		(66,432)	(35,932)
Dividends received	15	6,908	11,073
Net receipts from/(contributions to) associates and joint ventures	15	21	(7,731)
Contingent consideration paid	19	(9,114)	(13,346)
Net cash flows from investing activities		(515,420)	(238,202)
Cash flows from financing activities			
Net proceeds from issue of shares	26	–	140,854
Net proceeds from issue of perpetual callable subordinated instrument	26	319,442	–
Gross drawdown of loan capital	21	27,405	–
Gross repayment of loan capital	21	(53,950)	(142,255)
Capital element of finance lease liabilities	21	(2,177)	(2,708)
Dividend paid on perpetual callable subordinated instrument		(16,561)	(16,305)
Dividends paid to non-controlling interests	27	(8,935)	(6,437)
Dividends paid to equity shareholders		(43,517)	(41,490)
Net cash flows from financing activities		221,707	(68,341)
Net increase in cash and cash equivalents		68,262	22,807
Translation adjustment		(20,875)	4,646
Net cash and cash equivalents at start of year		345,089	317,636
Net cash and cash equivalents at end of year	20	392,476	345,089

The notes on pages 68 to 140 are an integral part of these Group consolidated financial statements.

Group Statement of Accounting Policies for the year ended 31 July 2013

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Switzerland. The consolidated financial statements for the year ended 31 July 2013 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in associates and joint ventures using the equity method of accounting.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were authorised for issue by the directors on 26 September 2013 and are subject to approval by the shareholders at the General Meeting on 10 December 2013.

Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

In the preparation of these Group consolidated financial statements, the Group has applied all standards that were effective for accounting periods beginning on or before 1 August 2012. The following standards and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, are effective for the first time in the current financial year and have been adopted by the Group:

- Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets

While the above standards and interpretations adopted by the Group modify certain presentation and disclosure requirements, these requirements are not significantly different than information presented as part of the 31 July 2012 year-end financial statements and have no impact on the consolidated results or financial position of the Group.

The following new standards and interpretations, issued by the IASB or the IFRS Interpretations Committee, have not yet become effective. The Group has not applied early adoption in relation to them.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Standard/Interpretation	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
IFRS 9 – Financial Instruments	1 January 2015	2016
IFRS 10 – Consolidated Financial Statements	1 January 2013	2014
IFRS 11 – Joint Arrangements	1 January 2013	2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013	2014
IFRS 13 – Fair Value Measurement	1 January 2013	2014
IAS 27 (Revised) – Separate Financial Statements	1 January 2013	2014
IAS 28 (Revised) – Investments in Associates and Joint Ventures	1 January 2013	2014
Amendment to IFRS 7 – Financial Instruments: Disclosures	1 January 2013	2014
Amendment to IAS 19 – Employee Benefits	1 January 2013	2014
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014	2015
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	2015
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	2015
Improvements to IFRSs (2011)	1 January 2013	2014

The Group has undertaken an initial assessment of the potential impact of these new standards, amendments and improvements listed above, which become effective during the year ending 31 July 2014. Based on this initial assessment, the Group does not currently believe that the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group.

Basis of preparation

The Group consolidated financial statements are prepared on a historical cost basis, except that the following assets and liabilities are stated at fair value: equity investments held at fair value through other comprehensive income, certain financial liabilities at fair value through profit or loss, investment properties and derivative financial instruments. The consolidated financial statements are presented in euro, rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions in the application of the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Further information on areas involving a higher degree of judgement and accounting estimates are set out in note 34.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Income statement presentation

The Group Consolidated Income Statement is presented by function of expense. Within this presentation, net acquisition, disposal and restructuring-related costs and fair value adjustments are presented as a separate component of operating profit, due to the relative size or nature of these items. Further details related to these amounts are set out in note 2. Additionally, to enable a more comprehensive understanding of the Group's financial performance, the Group Consolidated Income Statement by nature of cost, through operating profit, is set out in note 4.

Basis of consolidation

The Group consolidated financial statements reflect the consolidation of the results, the assets and the liabilities of the parent undertaking, and all of its subsidiaries, together with the Group's share of the profits/losses of associates and joint ventures.

Subsidiary undertakings

Subsidiary undertakings are those entities over which the Group has the power to control the operating and financial policies, so as to obtain economic benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associates and joint ventures

Associates are those entities over which the Group has a significant influence, but not control, of the financial and operating policies. Joint ventures are those entities over whose operating and financial policies the Group exercises control jointly, under a contractual agreement, with one or more parties. Investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, the Group's interest in the net assets of associates and joint ventures is included as investments in associates and joint ventures in the Group Consolidated Balance Sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition, plus the Group's share of post-acquisition retained income and expenses, less dividends received. The Group's investment in associates and joint ventures includes goodwill on acquisition. The Group Consolidated Income Statement reflects, in profit before tax, the Group's share of profit after tax of its associates and joint ventures and its share of post-acquisition movements in other comprehensive income are recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment, in accordance with IAS 28, Investments in Associates, and IAS 31, Interests in Joint Ventures. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The amounts included in these Group consolidated financial statements in respect of the post-acquisition profits or losses of associates and joint ventures are taken from their latest financial statements prepared up to their respective year ends, together with management accounts for the intervening periods to the Group's year end.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the Group Consolidated Income Statement.

Where an associate or joint venture is acquired or disposed of during the financial period, the Group consolidated financial statements include the attributable results from, or up until, the effective date when significant influence or joint control is obtained, or lost. If the ownership interest in an associate or joint venture is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Dilution gains and losses arising in investments in associates are recognised in the Group Consolidated Income Statement.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Group consolidated financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they do not provide evidence of impairment.

Revenue recognition

Revenue represents the fair value of the sale of goods supplied to third parties, after deducting trade discounts and volume rebates, and is exclusive of value-added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Financing income is recognised on an accruals basis, taking into consideration the sums lent and the actual interest rate applied.

Segmental reporting

Management has determined the operating segments based on the reports regularly reviewed by the Group's Chief Operating Decision Maker (CEO) in making strategic decisions, allocating resources and assessing performance.

As reflected in those reports, the Group is primarily organised into four operating segments: Food Europe, Food North America, Food Rest of World, (together referred to as the 'Food Group') and Origin, which includes the Group's separately listed 68.6% subsidiary Origin Enterprises plc ('Origin'). The Group's principal geographies are Europe, North America and Rest of World.

Food Europe has leading market positions in the speciality bakery market in Switzerland, Germany, the UK, Ireland, France, Spain, Sweden and Poland. In Europe, ARYZTA has a mixture of business-to-business and consumer brands, including: Hiestand, Klemme, Coup de Pates, Fresh Start Bakeries, Cuisine de France, Delice de France, and Honeytop. Food Europe has a diversified customer base within the foodservice and retail channels.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Food North America has leading positions in the speciality bakery market in the United States and Canada. It has a mixture of business-to-business and consumer brands, including: Otis Spunkmeyer, La Brea Bakery, Fresh Start Bakeries, Maidstone Bakeries, and Great Kitchens. Food North America has a diversified customer base within the foodservice and retail channels.

Food Rest of World consists of businesses in Australia, Asia, New Zealand and South America.

Origin is a leading agri-services group focused on integrated agronomy and agri-inputs in the UK, Ireland and Poland.

Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated assets and liabilities principally include current and deferred income tax assets and liabilities, together with financial assets and liabilities.

Net finance costs and income tax are managed on a centralised basis for the Food Group and separately for Origin. Therefore, these items are not allocated between operating segments for the purpose of presenting information to the Chief Operating Decision Maker.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical 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 or processes, is capitalised, if the product or process is technically and commercially feasible, the attributable expenditure can be reliably measured, and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour or an appropriate proportion of overheads. Capitalised development expenditure is stated at cost, less accumulated depreciation and impairment losses. Other development expenditure is recognised in the income statement as an expense as incurred.

Employee benefits

Pension obligations

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as the related employee service is received. The Group's net obligation in respect of defined benefit pension plans is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The future benefit is discounted to determine the present value of the obligation and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method on an annual basis. Actuarial gains and losses are recognised in the Group Consolidated Statement of Comprehensive Income, net of related taxes. Current and past service costs are recognised as employment costs in the income statement. Interest on plan liabilities and expected return on assets are recognised in financing costs/income in the income statement.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Share-based compensation

As defined in IFRS 2, Share-based Payment, the cost of equity instruments granted is recognised at fair value, with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument. The fair value of the equity instruments granted is measured using an approved model, taking into account the terms and conditions under which the equity instruments were granted. The Group's equity-settled share-based compensation plans are subject to a non-market vesting condition; therefore, the amount recognised is adjusted annually to reflect the current estimate of achieving these conditions and the number of equity instruments expected to eventually vest.

Termination benefits

The Group recognises termination benefits when it has a formal plan to terminate the employment of current employees, which has been approved at the appropriate levels of the organisation and when the entity is demonstrably committed to a termination through announcement of the plan to those affected. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Income taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the related tax is also recognised directly in equity or in other comprehensive income, respectively. Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in the respective countries where the Group and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, it is not recognised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The consolidated financial statements are presented in euro, the Group's presentation currency, rounded to the nearest thousand, unless otherwise stated.

Transactions in currencies other than the functional currency of each respective entity are translated to the relevant functional currency using the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates at the balance sheet date. Income and expenses of foreign operations are translated to euro at the average exchange rates for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised in other comprehensive income, as a change in the foreign currency translation reserve.

Exchange gains or losses on long-term intra-group loans and on foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations, are included in other comprehensive income, as a change in the foreign currency translation reserve to the extent that they are neither planned nor expected to be repaid in the foreseeable future, or are expected to provide an effective hedge of the net investment. Any differences that have arisen since 1 August 2004, the date of transition to IFRS, are recognised in the foreign currency translation reserve and are recycled through the Group Consolidated Income Statement on the repayment of the intra-group loan, or on disposal of the related business.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

The principal euro foreign exchange currency rates used by the Group for the preparation of these consolidated financial statements are as follows:

Currency	Average 2013	Closing 2013	Average 2012	Closing 2012
CHF	1.2204	1.2339	1.2026	1.2010
USD	1.2996	1.3280	1.3240	1.2370
CAD	1.3080	1.3644	1.3345	1.2393
GBP	0.8303	0.8630	0.8379	0.7854

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures, including repairs and maintenance costs, are recognised in the income statement as an expense as incurred.

Interest on specific and general borrowings used to finance construction costs of property, plant and equipment is capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment, other than freehold land and assets under construction, on a straight-line basis, by reference to the following estimated useful lives:

Buildings	25 to 50 years
Plant and machinery	3 to 15 years
Motor vehicles	3 to 7.5 years

The residual value of assets, if significant, and the useful life of assets is reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received, net of related selling costs, with the carrying amount of the asset and are included in operating profit.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Investment properties

Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value. The fair value is based on market value, being the estimated amount for which a property could be exchanged in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the Group Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain. Upon disposal of the property, the gain would be transferred to retained earnings. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Group Consolidated Income Statement.

Leased assets

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the payments is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For disclosure purposes, the fair value of finance leases is based on the present value of future cash flows, discounted at appropriate current market rates.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of each acquisition is measured as the aggregate of the fair value of the consideration transferred, as at the acquisition date, and the amount of any non-controlling interest in the acquiree. Where a business combination is achieved in stages, the Group's previously held interest in the acquiree is re-measured to fair value at the acquisition date and included within the consideration, with any gain or loss recognised in the Group Consolidated Income Statement.

Where any part of the consideration for a business combination is contingent, the fair value of that component is determined by discounting the estimated amounts payable to their present value at the acquisition date. The discount is unwound as a finance charge in the Group Consolidated Income Statement over the life of the obligation. Subsequent changes to the estimated amounts payable for contingent consideration are recognised as a gain or loss in the Group Consolidated Income Statement.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Goodwill is initially recognised at cost, being the difference between the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

When the initial accounting for a business combination is only provisionally determined at the end of the financial year in which the combination occurs, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within a period of no more than one year from the acquisition date.

Acquisition costs arising in connection with a business combination are expensed as incurred.

Intangible assets

Intangible assets acquired as part of a business combination are initially recognised at fair value being their deemed cost as at the date of acquisition. These generally include brand and customer-related intangible assets. Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other applicable directly attributable costs. Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, generally as follows:

Customer relationship	5 to 25 years
Brands	10 to 25 years
Patent and other	4 to 15 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	7 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite lived intangible assets are reviewed at least at each financial year-end and if the expected economic benefits of the asset are different from previous estimates, amortisation is adjusted accordingly. Intangible assets are stated at cost, less accumulated amortisation and any impairment losses incurred. There are no intangible assets with an indefinite useful life.

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability), and those financial instruments which are carried at fair value, are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be, and at least at each reporting date. If any such indication exists, an impairment test is carried out and, if necessary, the asset is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and an asset's value in use. The Group tests goodwill and intangible assets not yet available for use for impairment annually, during the last quarter of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement as an expense. Goodwill is allocated to the various cash-generating units for the purposes of impairment testing. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss for goodwill is not subsequently reversed. An impairment loss for other assets may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventory

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. Cost includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand, less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

Cash and cash equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, call deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group Consolidated Cash Flow Statement.

Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax, as a deduction from the proceeds.

If any Group company purchases ARYZTA AG's equity share capital, those shares are accounted for as treasury shares in the consolidated financial statements of the Group. Consideration paid for treasury shares, including any directly attributable incremental cost, net of tax, is deducted from equity attributable to the shareholders of the Company, until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Financial assets and liabilities

Trade and other receivables

Trade and other receivables (excluding prepayments) are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment is recognised in administration expenses when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Where risks associated with trade receivables are transferred out of the Group under receivables purchase arrangements, such receivables are derecognised from the balance sheet, except to the extent of the Group's continued involvement or exposure.

Short-term bank deposits

Short-term bank deposits with an original maturity of three months or less, which do not meet the definition of cash and cash equivalents, are classified as loans and receivables within current assets and are stated at amortised cost in the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities, if payment is due within one year or less, otherwise, they are presented as non-current liabilities.

Derivatives

Derivatives, including forward currency contracts, interest rate swaps and commodity futures contracts are used to manage the Group's exposure to foreign currency risk, interest rate risk and commodity price risk. These derivatives are generally designated as cash flow hedges in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

Derivative financial instruments are initially recorded at fair value on the date the contract is entered into and are subsequently re-measured to fair value, as of each reporting date, using quoted market values. The gain or loss arising on re-measurement is recognised in the income statement, except where the instrument is a designated hedging instrument.

Cash flow hedges

Subject to the satisfaction of certain criteria relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in other comprehensive income, as part of the cash flow hedge reserve. Unrealised gains or losses on any ineffective portion are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the cash flow hedge reserve are transferred to the income statement.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down, and are amortised over the period of the facility to which the fees relate.

For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2013

Other equity reserve

Perpetual callable subordinated instruments are recognised within other equity reserves, net of attributable transaction costs. These amounts are maintained within other equity reserves at historical cost, until such time that management and the Board of Directors have approved the settlement of such amounts. Any difference between the amount paid upon settlement of instruments without a maturity date and the historical cost is recognised directly within retained earnings. Dividends associated with these instruments are recognised directly within retained earnings.

Government grants

Grants that compensate the Group for the cost of an asset are shown as deferred income in the balance sheet and are recognised in the income statement in instalments on a basis consistent with the depreciation policy of the relevant assets. Other grants are credited to the income statement to offset the matching expenditure.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Reclassifications and adjustments

Certain amounts in the 31 July 2012 Group consolidated financial statement notes have been reclassified or adjusted to conform to the 31 July 2013 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on total revenues, expenses, profit for the year, total assets, total liabilities, equity or cash flow classifications as previously reported.

Notes to the Group Consolidated Financial Statements

for the year ended 31 July 2013

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result in EUR '000	Food Europe		Food North America		Food Rest of World		Total Food Group		Origin		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue¹	1,391,525	1,273,707	1,459,805	1,372,411	234,187	221,526	3,085,517	2,867,644	1,418,173	1,340,023	4,503,690	4,207,667
Operating profit before net acquisition, disposal and restructuring-related costs and fair value adjustments²	135,483	124,750	141,287	128,597	23,283	21,696	300,053	275,043	63,200	62,823	363,253	337,866
Net acquisition, disposal and restructuring-related costs and fair value adjustments ² (note 2)	(68,019)	(40,700)	(51,795)	(44,044)	-	1,267	(119,814)	(83,477)	2,458	(16,152)	(117,356)	(99,629)
Operating profit	67,464	84,050	89,492	84,553	23,283	22,963	180,239	191,566	65,658	46,671	245,897	238,237
Share of profit after tax of associates and joint ventures	-	39	201	430	-	593	201	1,062	21,856	13,138	22,057	14,200
Profit before financing income, financing cost and income tax expense	67,464	84,089	89,693	84,983	23,283	23,556	180,440	192,628	87,514	59,809	267,954	252,437
Financing income ³							3,666	4,473	6,868	7,285	10,534	11,758
Financing costs ³							(61,427)	(63,190)	(13,011)	(13,879)	(74,438)	(77,069)
Profit before income tax expense as reported in Group Consolidated Income Statement							122,679	133,911	81,371	53,215	204,050	187,126

1 There were no significant intercompany revenues between business segments.

2 Certain central executive and support costs have been allocated against the operating profits of each business segment.

3 Finance income/(costs) and income tax expense are managed on a centralised basis for the Food Group and separately for Origin. Therefore, these items are not allocated between business segments for the purposes of presenting information to the Chief Operating Decision Maker.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

II) Segment assets in EUR '000	Food Europe		Food North America		Food Rest of World		Total Food Group		Origin		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets excluding investments in associates and joint ventures	2,162,369	1,760,828	1,894,380	2,042,006	307,428	329,833	4,364,177	4,132,667	682,382	626,653	5,046,559	4,759,320
Investments in associates and joint ventures and related financial assets	-	530	-	2,015	-	-	-	2,545	84,668	162,062	84,668	164,607
Segment assets	2,162,369	1,761,358	1,894,380	2,044,021	307,428	329,833	4,364,177	4,135,212	767,050	788,715	5,131,227	4,923,927

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet

Derivative financial instruments						1,329	327	492	95	1,821	422
Cash and cash equivalents						501,438	452,175	125,484	95,299	626,922	547,474
Deferred income tax assets						66,642	80,745	4,504	4,720	71,146	85,465
Total assets as reported in Group Consolidated Balance Sheet						4,933,586	4,668,459	897,530	888,829	5,831,116	5,557,288

III) Segment liabilities in EUR '000	Food Europe		Food North America		Food Rest of World		Total Food Group		Origin		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment liabilities	424,683	314,553	210,143	208,659	41,527	40,297	676,353	563,509	436,349	447,373	1,112,702	1,010,882

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet

Interest-bearing loans and borrowings						1,350,666	1,428,458	155,043	163,107	1,505,709	1,591,565
Derivative financial instruments						1,283	2,066	2,207	3,858	3,490	5,924
Current and deferred income tax liabilities						420,120	408,395	28,466	31,167	448,586	439,562
Total liabilities as reported in Group Consolidated Balance Sheet						2,448,422	2,402,428	622,065	645,505	3,070,487	3,047,933

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

IV) Other segment information in EUR '000	Food Europe		Food North America		Food Rest of World		Total Food Group		Origin		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Depreciation	43,929	43,204	34,688	35,676	8,866	6,610	87,483	85,490	5,369	5,189	92,852	90,679
ERP-related amortisation	2,069	778	4,138	4,074	-	-	6,207	4,852	1,677	455	7,884	5,307
Amortisation of other intangible assets	50,507	44,745	48,999	47,694	7,136	7,344	106,642	99,783	5,689	6,401	112,331	106,184
Capital expenditure												
– Property, plant and equipment	82,739	37,318	35,375	45,723	44,858	28,272	162,972	111,313	7,964	5,768	170,936	117,081
– Computer-related intangibles	46,270	14,244	14,529	9,637	1,781	7,492	62,580	31,373	5,826	5,987	68,406	37,360
– Other intangibles	-	-	-	-	-	-	-	-	295	575	295	575
Total capital expenditure	129,009	51,562	49,904	55,360	46,639	35,764	225,552	142,686	14,085	12,330	239,637	155,016

1.2 Analysis by geography

in EUR '000	Europe		North America		Rest of World		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue by geography ¹	2,809,698	2,613,730	1,459,805	1,372,411	234,187	221,526	4,503,690	4,207,667
Assets by geography	2,929,419	2,550,073	1,894,380	2,044,021	307,428	329,833	5,131,227	4,923,927
IFRS 8 non-current assets ²	2,177,166	1,954,207	1,717,422	1,845,060	260,153	289,177	4,154,741	4,088,444

1 Revenues from external customers attributed to the Group's country of domicile, Switzerland, are 4.9% (2012: 5.3%) of total Group revenues. Revenues from external customers attributed to material foreign countries are United States 29.1% (2012: 29.2%), United Kingdom 26.9% (2012: 29.8%) and Germany 9.5% (2012: 7.4%). For the purposes of this analysis, customer revenues are allocated based on geographic location of the subsidiary vendor. As is common in this industry, the Group has a large number of customers, and there is no single customer with a share of revenue greater than 10% of total Group revenue.

2 Non-current assets as reported under IFRS 8, Operating Segments, include all non-current assets as presented in the Group Consolidated Balance Sheet, with the exception of deferred taxes. Non-current assets attributed to the Group's country of domicile, Switzerland, are 8.9% of total Group non-current assets (2012: 9.4%). Non-current assets attributed to material foreign countries are: United States 28.3% (2012: 31.3%), United Kingdom 8.6% (2012: 10.9%) and Germany 16.2% (2012: 9.0%).

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

2 Net acquisition, disposal and restructuring-related costs and fair value adjustments

in EUR '000	Notes	Food Europe		Food North America		Food Rest of World		Total Food Group		Origin		Total Group	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gain/(loss) on acquisition, disposals and dilution													
Gain/(loss) on disposal of interest in joint ventures and associate	2.1	-	-	(705)	-	-	1,417	(705)	1,417	20,954	-	20,249	1,417
Gain on dilution of associate interests	2.2	-	-	-	-	-	-	-	-	-	2,305	-	2,305
Net gain/(loss) on acquisition, disposals and dilution		-	-	(705)	-	-	1,417	(705)	1,417	20,954	2,305	20,249	3,722
Acquisition-related costs	2.3	(3,427)	(1,654)	(2,063)	-	-	(150)	(5,490)	(1,804)	-	(1,451)	(5,490)	(3,255)
Restructuring-related costs and fair value adjustments	2.4												
Asset write-downs		(23,228)	(3,744)	(13,149)	(4,006)	-	-	(36,377)	(7,750)	(8,612)	(2,806)	(44,989)	(10,556)
Fair value adjustments of investment properties		(273)	-	-	-	-	-	(273)	-	(6,333)	(9,665)	(6,606)	(9,665)
Severance and other staff-related costs		(23,179)	(25,758)	(15,460)	(24,881)	-	-	(38,639)	(50,639)	(3,227)	(4,535)	(41,866)	(55,174)
Grant-related costs		-	(713)	-	-	-	-	-	(713)	-	-	-	(713)
Contractual obligations		(82)	(2,175)	(5,278)	(837)	-	-	(5,360)	(3,012)	-	-	(5,360)	(3,012)
Advisory and other costs		(17,830)	(6,656)	(15,140)	(14,320)	-	-	(32,970)	(20,976)	(324)	-	(33,294)	(20,976)
Total restructuring-related costs and fair value adjustments		(64,592)	(39,046)	(49,027)	(44,044)	-	-	(113,619)	(83,090)	(18,496)	(17,006)	(132,115)	(100,096)
Total acquisition, disposal and restructuring-related costs and fair value adjustments		(68,019)	(40,700)	(51,795)	(44,044)	-	1,267	(119,814)	(83,477)	2,458	(16,152)	(117,356)	(99,629)

2.1 Gain/(loss) on disposal of interests in joint ventures and associate

During July 2013, Origin announced it had reached conditional agreement to dispose of its 50% interest in Welcon to its joint venture partner, Austevoll Seafoods ASA, for cash consideration of NOK 740 million. As all conditions were fulfilled by 31 July 2013, the disposal has been reflected in the financial year ended 31 July 2013. The consideration is shown as a receivable in the amount of €94,002,000 in the Group Consolidated Balance Sheet at 31 July 2013 (note 17). The transaction completed during August 2013 and the proceeds were received in full. As the proceeds received were in excess of the carrying value of the investment of €73,873,000, the transaction resulted in a gain on disposal of €20,631,000, net of foreign exchange gains recycled from other comprehensive income of €3,653,000 and disposal-related costs of €3,151,000.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

In June 2013, Continental Farmers Group was acquired by United Farmers Holding Company. As a result, Origin no longer has an investment in Continental Farmers Group. Consideration on disposal was €16,910,000, which was in excess of Origin's carrying value of the investment of €16,587,000, resulting in a gain on disposal of €323,000.

During January 2013, the Food Group completed the disposal of its interest in a joint venture, previously held as part of the Food North America segment. Consideration received on disposal was €1,941,000, which was less than the investment carrying value of €2,646,000 at the time, resulting in a loss of €705,000.

In financial year 2012, the Food Group completed the disposal of its interest in a joint venture, previously held as part of the Food Rest of World segment. Consideration received on disposal was €4,675,000, which was in excess of the investment carrying value of €3,258,000 at the time, resulting in a gain of €1,417,000.

2.2 Gain on dilution of associate interests (financial year 2012)

In financial year 2012, Origin's investment in Valeo was reduced from 44.1% to 32.0% as a result of Valeo raising additional funding from investors. As a result of this transaction, the Group recorded a gain of €2,305,000 on the dilution of the holding, which is recorded in the Group Consolidated Income Statement for the year ended 31 July 2012.

2.3 Acquisition-related costs

Acquisition-related costs of €5,490,000 incurred during the year ended 31 July 2013 relate to Food Group acquisition-related activities. Acquisition costs of €3,255,000 incurred during the year ended 31 July 2012 related primarily to Origin's share of Valeo transaction and rationalisation costs, as well as costs associated with the prior year Food Group acquisitions. These costs include share purchase tax, due diligence and other professional services fees.

2.4 Restructuring-related costs and fair value adjustments

During the financial year 2013, progress has continued on the Food Group ATI programme to integrate or rationalise existing business assets to enable optimised manufacturing and business support throughout the Group. Origin has also continued to progress on its own separate business transformation programme. As a result of these programmes the Group has recognised costs, including providing for amounts as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, in the Group Consolidated Income Statement as follows:

Asset write-downs

The Group incurred €44,989,000 (2012: €10,556,000) of asset write-downs during the year. These amounts relate to the write-down of certain distribution, manufacturing and administration assets, due to the closure and/or reduction in the activities related to those assets. These amounts primarily related to the closure of 50 distribution centres and 224 truck routes as a result of discontinuing Direct Store Delivery in Food North

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

America, as well as the continued evaluation of the manufacturing and distribution footprint across the various Food Europe business units as part of the Food Group ATI integration and rationalisation programme. Based on the anticipated future use of certain items within property, plant and equipment, Origin management obtained an external valuation and adjusted the carrying values accordingly.

Fair value adjustments

The Group incurred €6,606,000 (2012: €9,665,000) of fair value adjustments related to the carrying value of investment properties, based on the results of independent valuations. These adjustments are primarily the result of the continuing decline in the Irish property market, lack of transactions, restricted bank financing for property-related deals, a generally difficult economic environment, and in particular the indication that the value of development land in regional areas is converging to that of agricultural land.

Severance and other staff-related costs

The Group has incurred and provided for €41,866,000 (2012: €55,174,000) in severance and other staff-related costs during the year, in relation to employees whose service was discontinued following certain rationalisation decisions throughout the Group. These costs also primarily related to discontinuing Direct Store Delivery in Food North America and the continued evaluation of the manufacturing and distribution footprint across the various Food Europe business units.

Grant-related costs

The termination of certain activities caused by the Group's integration and rationalisation programmes in the prior year resulted in the triggering of related grant repayment conditions. This resulted in the reversal of €713,000 in grants previously amortised through the prior year Group Consolidated Income Statement.

Contractual obligations

The operational decisions made through the Group's integration and rationalisation projects triggered early termination penalties and resulted in certain operational contracts becoming onerous. The Group incurred total costs of €5,360,000 (2012: €3,012,000) during the year to either exit or provide for such contractual obligations.

Advisory costs and other costs

During the year, the Group incurred €33,294,000 (2012: €20,976,000) in other costs related directly to the implementation of the integration and rationalisation programs. These costs are composed principally of restructuring-related advisory costs, site restoration costs, costs associated with establishing shared service centres for centralisation of certain administrative functions and other directly attributable incremental costs.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

3 Financing income and costs

in EUR `000	2013	2012
Financing income		
Interest income	4,739	5,186
Defined benefit plans: expected return on plan assets (note 25)	5,795	5,904
Foreign exchange gain realised on settlement of quasi-equity intercompany loans	–	668
Total financing income recognised in Group Consolidated Income Statement	10,534	11,758
Financing costs		
Interest cost on bank loans and overdrafts	(68,328)	(70,357)
Interest cost under finance leases	(31)	(159)
Defined benefit plans: interest cost on plan liabilities (note 25)	(5,892)	(5,965)
Interest cost on contingent consideration (note 19)	(187)	(588)
Total financing costs recognised in Group Consolidated Income Statement	(74,438)	(77,069)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps ¹	79	(3,122)
Total financing gain/(loss) recognised directly in other comprehensive income	79	(3,122)

1 No unrealised gains or losses on any ineffective portion of derivatives have been recognised in the income statement.

4 Other information

Group Consolidated Income statement by nature of cost through to operating profit

in EUR `000	2013	2012
Revenue	4,503,690	4,207,667
Raw materials and consumables used	(2,674,432)	(2,507,762)
Employment costs (note 7)	(658,485)	(603,555)
Other direct and indirect costs	(531,633)	(495,172)
Amortisation of intangible assets (note 14)	(120,215)	(111,491)
Depreciation of property, plant and equipment (note 12)	(92,852)	(90,679)
Recognition of deferred income from government grants (note 23)	2,644	1,581
Operating lease rentals	(55,831)	(55,148)
Research and development expenditure	(9,633)	(7,575)
Net gain on acquisitions, disposals and dilution (note 2)	20,249	3,722
Acquisition-related costs (note 2)	(5,490)	(3,255)
Asset write-downs and fair value adjustments (note 2)	(51,595)	(20,221)
Other restructuring-related costs (note 2)	(80,520)	(79,875)
Operating profit	245,897	238,237

Group revenue categories

Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The above amounts are further analysed as follows:

Depreciation of property, plant and equipment

in EUR `000	2013	2012
– owned assets	92,079	89,896
– leased assets	773	783
	92,852	90,679

Operating lease rentals

in EUR `000	2013	2012
– Food Group	49,635	47,759
– Origin	6,196	7,389
	55,831	55,148

Research and development expenditure

in EUR `000	2013	2012
– Food Group	8,424	6,943
– Origin	1,209	632
	9,633	7,575

Auditor's remuneration

in EUR `000	2013	2012
– Auditor's remuneration for audit and audit-related services	2,532	2,621
– Auditor's remuneration for tax compliance and related services	1,214	1,178
– Auditor's remuneration for tax consulting services	686	904
– Auditor's remuneration for advisory services	–	100
	4,432	4,803

– Total other fees / Audit and audit-related fees	75%	83%
– Tax consulting or advisory fees / Audit and audit-related fees	27%	38%

5 Directors' emoluments

Directors' emoluments are disclosed in note 10 of the ARYZTA AG Company Financial Statements (pages 149 to 153).

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

6 Share of profit after tax of associates and joint ventures

Joint ventures

in EUR `000	2013	2012
Group share of:		
Revenue	348,462	264,764
Share of profit of joint ventures after tax and before acquisition and restructuring-related costs (note 15)	14,637	7,101

Associates

in EUR `000	2013	2012
Group share of:		
Revenue	252,972	234,593
Share of profit of associates after tax and before acquisition and restructuring-related costs (note 15)	7,420	7,099
Share of profit of associates and joint ventures after tax and before acquisition and restructuring-related costs (note 15)	22,057	14,200

7 Employment

Full-time equivalent persons employed by the Group during the year

	2013	2012
Sales and distribution	3,847	4,265
Production	10,204	8,590
Management and administration	1,544	1,389
	15,595	14,244

Aggregate employment costs of the Group

in EUR `000	2013	2012
Wages and salaries	582,802	526,421
Social welfare costs	56,784	56,478
Defined contribution plans (note 25)	11,767	11,311
Defined benefit plans – current service cost (note 25)	3,444	3,277
Defined benefit plans – past service gain (note 25)	(1,197)	–
Defined benefit plans – curtailment gain (note 25)	(2,459)	–
Share-based payments (note 8)	7,344	6,068
	658,485	603,555

8 Share-based payments

The Group has outstanding grants of equity-based incentives under the following LTIP plans:

- ARYZTA Matching Plan LTIP
- ARYZTA Option Equivalent Plan LTIP
- Origin Enterprises Long-Term Incentive Plan
- Origin Enterprises Matching Plan LTIP

The total cost reported in the Group consolidated financial statements in relation to equity settled share-based payments is €7,811,000 (2012: €7,065,000), of which €7,344,000 (2012: €6,068,000) was reported in the Group Consolidated Income Statement.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Analysis of movements within the LTIP plans during the period are as follows:

8.1 ARYZTA Matching Plan LTIP

Matching Plan awards	Weighted conversion price 2013 in CHF	Number of equity entitlements 2013	Weighted conversion price 2012 in CHF	Number of equity entitlements 2012
Outstanding at beginning of the year	0.02	750,000	0.02	975,000
Exercised during the year	0.02	–	0.02	(975,000)
Issued during the year	0.02	222,750	0.02	944,250
Forfeited during the year	0.02	(246,750)	0.02	(194,250)
Outstanding at the end of the year	0.02	726,000	0.02	750,000
Vested at end of the year	–	–	–	–

Matching Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial years 2012 and 2013	0.02	726,000	8.2
As of 31 July 2013	0.02	726,000	8.2

Plan description

The equity instruments granted under the ARYZTA Matching Plan LTIP are equity-settled share-based payments as defined in IFRS 2, Share-based Payment. The Group has no legal or constructive obligation to repurchase or settle the Matching Plan awards in cash.

Participants with Matching Plan awards have the prospect of receiving up to three shares for each recognised qualifying interest held throughout the performance period. Vesting is determined by reference to compound annual underlying fully diluted EPS growth. For awards outstanding as of 31 July 2013, vesting may occur on a fractional pro-rata basis ranging from a multiple of one to three for growth between 10.0% and 15.0%. In the event of the minimum 10.0% growth target not being achieved, no awards vest.

Awards under the Matching Plan are subject to additional conditions, including notably: (a) the requirement to remain in service throughout the performance period; (b) the requirement to hold recognised qualifying interests throughout the performance period; (c) the requirement that the ARYZTA Food Group's reported ROIC over the expected performance period is not less than its weighted average cost of capital and (d) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

The Matching Plan Awards can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date.

The fair value assigned to equity entitlements issued under the ARYZTA Matching Plan represents the full value of an ordinary share on the date of grant, adjusted for the estimated lost dividends between date of issue and vesting date and adjusted for the nominal value of the share. The weighted average fair value of Matching Plan entitlements granted during the year was CHF 45.30 (2012: CHF 38.54).

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

8.2 ARYZTA Option Equivalent Plan LTIP

	Weighted conversion price 2013 in CHF	Number of equity entitlements 2013	Weighted conversion price 2012 in CHF	Number of equity entitlements 2012
Option Equivalent Plan awards				
Outstanding at beginning of the year	38.72	2,510,000	37.23	1,200,000
Issued during the year	46.70	222,750	39.95	1,569,250
Exercised during the year	37.23	(370,000)	–	–
Forfeited during the year	42.26	(123,250)	39.27	(259,250)
Outstanding at the end of the year	39.56	2,239,500	38.72	2,510,000
Vested at end of the year	37.23	765,000	–	–

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2010	37.23	765,000	6.1
Issued during financial year 2012	39.95	1,294,000	8.2
Issued during financial year 2013	46.70	180,500	9.3
As of 31 July 2013	39.56	2,239,500	7.6

Plan description

The equity instruments granted under the ARYZTA Option Equivalent Plan LTIP are equity-settled share-based payments as defined in IFRS 2, Share-based Payment. The Group has no legal or constructive obligation to repurchase or settle the Option Equivalent awards in cash.

Vesting of the awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis.

Awards under the Option Equivalent Plan are subject to additional conditions, including notably: (a) the requirement to remain in service throughout the performance period; (b) the requirement that the ARYZTA Food Group's reported ROIC over the expected performance period is not less than its weighted average cost of capital and (c) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

The Option Equivalent Plan awards can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date.

The weighted average fair value assigned to share option equivalents granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2013 was CHF 7.27, which was determined using the Black-Scholes valuation model. The significant inputs into the model were the price of the shares as at the grant date, an expected option life of four years, expected share price volatility of 23.91%, the exercise price of CHF 46.70, the expected dividend yield of 1.5%, and the risk-free rate of 0.0%.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The Group's compound annual growth in underlying fully diluted EPS for the three consecutive accounting periods ended 31 July 2012 was 12.9%, which exceeded the growth in the Euro-zone Core Consumer Price Index over the same period of 1.3%, plus 5%. Accordingly, the performance conditions associated with the Option Plan awards issued during FY 2010 were met during FY 2012. As a result, on 20 September 2012, the Nomination and Remuneration Committee approved the vesting of the 1,135,000 Option Plan awards granted in FY 2010. Of these vested awards, 370,000 were exercised during FY 2013, in exchange for 81,915 shares issued out of shares previously held in treasury by ARY LTIP Trustee. The weighted average share price at the time of these exercises was CHF 47.83 per share. An additional 765,000 (550,000 of which are held by Executive Management) remain vested, but unexercised.

8.3 Origin Enterprises Long-Term Incentive Plan

Participation in the Origin Plan is available only to employees of Origin and is specifically not available to ARYZTA executives, officers or employees.

The equity entitlements issued under the Origin plan are equity-settled share-based payments as defined in IFRS 2, Share-based Payment. The weighted average fair value assigned to equity entitlements issued under the Origin Plan represents the fair value of an ordinary share on the date of grant adjusted for the lost dividends between date of issue and vesting date.

Origin Plan – ordinary share awards

Under the terms of the Origin Plan, 4,682,134 ordinary shares were issued to senior executives of Origin during the year ended 31 July 2007. As the consideration paid for these shares equalled their fair value, no additional share-based compensation charge was recorded under IFRS 2, Share-based Payment. To retain the ordinary shares issued under the terms of the Origin Plan, the senior executives had to remain with Origin for five years and specified financial and business related targets had to be achieved. If the senior executive left before the end of the five year period or if the financial and business targets were not achieved, the ordinary shares issued under the terms of the Origin Plan could have been reacquired by Origin at the lower of the amount paid for the shares and the then fair market value of the shares. The specified targets were achieved during financial year 2012 and accordingly the shares can no longer be reacquired.

Origin Plan – awards of other equity entitlements

Under the terms of the Origin Plan, senior executives of Origin were also issued equity entitlements in Origin at par value, during 2007 and 2008. These equity entitlements convert on a one-to-one basis into ordinary shares in Origin after the expiration of five years, only if specified EPS growth targets are achieved and the employee remains in employment.

During the five year period to 31 July 2011, the Origin EPS growth targets were achieved. As a result, during April 2012 a total of 5,003,238 equity entitlements were converted on a one for one basis into ordinary shares. During the five year period to 31 July 2012 the Origin EPS growth targets were also achieved. As a result, during March 2013 the remaining 480,345 equity entitlements were converted on a one for one basis into ordinary shares.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The table below shows the movement in equity entitlements during the year:

	Weighted conversion price 2013 in EUR	Number of equity entitlements 2013	Weighted conversion price 2012 in EUR	Number of equity entitlements 2012
Origin 2007 Plan awards				
Outstanding at beginning of the year	0.01	480,345	0.01	5,483,583
Converted to ordinary shares during the year	0.01	(480,345)	0.01	(5,003,238)
Outstanding at the end of the year	–	–	0.01	480,345
Vested at end of the year	–	–	–	–

8.4 Origin Enterprises Matching Plan LTIP

During the year, the Origin Matching Plan LTIP was established under the terms of the Origin Long Term Incentive Plan 2012, as approved by the Origin Enterprises plc shareholders in November 2011. The details are as follows:

	Weighted conversion price in EUR	Number of equity entitlements
Matching Plan awards		
Outstanding at beginning of the year	–	–
Issued during the year	0.04	1,336,633
Outstanding at the end of the year	0.04	1,336,633
Vested at end of the year	–	–

Matching Plan awards outstanding by conversion price	Conversion price in EUR	Number of equity entitlements	Actual remaining life (years)
Issued during financial year 2013	0.04	1,336,633	8.0
As of 31 July 2013	0.04	1,336,633	8.0

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Plan Description

The equity instruments granted under the Origin Matching Plan LTIP are equity-settled share-based payments, as defined in IFRS 2, Share-based Payment. Neither Origin nor ARYZTA have a legal or constructive obligation to repurchase or settle the Origin Matching Plan equity entitlements in cash.

Participants with Origin Matching Plan awards have the prospect of receiving up to three Origin shares for each recognised qualifying interest held throughout the performance period. Vesting is determined by reference to Origin's underlying fully diluted EPS growth. Vesting may occur on a fractional pro-rata basis ranging from a multiple of one to three, up to a maximum of 1,336,633 for growth between 7.5% and 12.5%. In the event of the minimum 7.5% growth target not being achieved, no awards vest.

Awards under the Origin Matching Plan are subject to additional conditions, including notably: (a) the requirement to remain in service throughout the performance period; (b) the requirement to hold recognised qualifying shares in Origin throughout the performance period; (c) the requirement that the Origin Group's return on invested capital over the expected performance period is not less than its weighted average cost of capital and (d) the requirement that annual dividends to shareholders are at least 33% of Origin's underlying EPS during the performance period.

The Origin Matching Plan Awards can be exercised as of the time the performance conditions described above have been met, but no later than 31 July 2021.

The fair value assigned to equity entitlements issued under the Origin Matching Plan LTIP represents the full value of an ordinary share on the date of grant, adjusted for the estimated lost dividend between date of issue and vesting date and adjusted for the nominal value of the shares. The weighted average fair value of Origin Matching Plan entitlements granted during the year was €3.51.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

9 Income tax expense

Income tax expense

in EUR `000	2013	2012
Current tax charge	55,832	37,584
Deferred tax credit (note 24)	(7,574)	(13,012)
Income tax expense	48,258	24,572

Reconciliation of average effective tax rate to applicable tax rate

in EUR `000	2013	2012
Profit before tax	204,050	187,126
Less share of profits after tax of associates and joint ventures	(22,057)	(14,200)
	181,993	172,926

Income tax on profits for the year at 21.2% (2012: 21.2%) ¹	38,582	36,660
(Income)/expenses not (taxable)/deductible for tax purposes	(421)	(7,523)
Income subject to lower rates of tax	(5,401)	(11,367)
Recognition of previously unrecognised deferred taxes	14,574	7,080
Change in estimates and other prior year adjustments:		
– Current tax	1,538	(1,280)
– Deferred tax	(614)	1,002
Income tax expense	48,258	24,572

Current and deferred tax movements recognised directly in other comprehensive income

in EUR `000	2013	2012
Relating to tax rate changes	462	858
Relating to foreign exchange translation effects	1,630	(6,863)
Relating to cash flow hedges	817	(259)
Relating to Group employee benefit plans actuarial losses (note 25)	(356)	(2,002)
	2,553	(8,266)

¹ 21.2% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

10 Dividends

At the Annual General Meeting on 10 December 2013, shareholders will be invited to approve a proposed dividend of CHF 0.6652 (€0.5405) per share, to be paid to shareholders after the balance sheet date. A dividend of CHF 0.6125 was paid during the year (2012: CHF 0.5679).

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

11 Earnings per share

	2013	2012
	in EUR '000	in EUR '000
Basic earnings per share		
Profit attributable to equity shareholders	129,415	146,264
Perpetual callable subordinated instrument accrued dividend (note 26)	(19,898)	(16,642)
Profit used to determine basic earnings per share	109,517	129,622
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August ¹	88,038	82,810
Effect of exercise of equity instruments during the year ²	67	827
Effect of shares issued during the year	–	2,300
Weighted average number of ordinary shares used to determine basic earnings per share	88,105	85,937
Basic earnings per share	124.3 cent	150.8 cent
	2013	2012
	in EUR '000	in EUR '000
Diluted earnings per share		
Profit used to determine basic earnings per share	109,517	129,622
Effect on non-controlling interests share of reported profits, due to dilutive impact of Origin management equity entitlements ³	(116)	(557)
Profit used to determine diluted earnings per share	109,401	129,065
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average number of ordinary shares used to determine basic earnings per share	88,105	85,937
Effect of equity-based incentives with a dilutive impact ²	454	291
Weighted average number of ordinary shares used to determine diluted earnings per share ⁴	88,559	86,228
Diluted earnings per share	123.5 cent	149.7 cent

1 Issued share capital excludes treasury shares as detailed in note 26.

2 The change in the equity instruments with a dilutive impact is due to continued vesting of management share-based incentives, offset by the impact of incentives exercised during the year, which are now included in the weighted average number of ordinary shares used to determine basic earnings per share.

3 Reflects the dilutive impact of equity entitlements granted to Origin senior management under the Origin Plan, as detailed in notes 8.3 and 8.4 of these Group consolidated financial statements. These equity entitlements dilute the Group's share of Origin profits available as part of its diluted earnings per share calculation.

4 The 31 July 2013 weighted average number of ordinary shares used to calculate diluted earnings per share is 88,559,475 (2012: 86,228,153). The increase in the weighted average number of ordinary shares is primarily due to the impact of the 4,252,239 shares issued during January 2012 on the weighted average shares outstanding during each respective year.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

In addition to the basic and diluted earnings per share measures required by IAS 33, Earnings per Share, as calculated above, the Group also presents an underlying fully diluted earnings per share measure, in accordance with IAS 33 paragraph 73. This additional measure enables comparability of the Group's underlying results from period to period, without the impact of transactions that do not relate to the underlying business. It is also the Group's policy to declare dividends based on underlying fully diluted earnings per share, as this provides a more consistent basis for returning dividends to shareholders.

As shown below, for purposes of calculating this measure, the Group adjusts reported net profit by the following items and their related tax impacts:

- includes the perpetual callable subordinated instrument accrued dividend as a finance cost, as already included in the calculation of basic and diluted earnings per share;
- excludes non-ERP-related intangible amortisation;
- excludes net acquisition, disposal and restructuring-related costs and fair value adjustments; and
- adjusts for the impact of dilutive instruments on non-controlling interests share of adjusted profits.

	2013	2012
	in EUR '000	in EUR '000
Underlying fully diluted earnings per share		
Profit used to determine basic earnings per share	109,517	129,622
Amortisation of non-ERP intangible assets (notes 1 and 14)	112,331	106,184
Tax on amortisation of non-ERP intangible assets (note 24)	(31,833)	(30,354)
Net acquisition, disposal and restructuring-related costs and fair value adjustments (note 2)	117,356	99,629
Tax on net acquisition, disposal and restructuring-related costs and fair value adjustments	10,402	(8,850)
Non-controlling interest portion of net acquisition, disposal and restructuring-related costs and fair value adjustments	1,450	(4,490)
Effect on non-controlling interests share of adjusted profits due to dilutive impact of Origin management equity entitlements	(114)	(696)
Underlying fully diluted net profit	319,109	291,045
Weighted average number of ordinary shares used to determine basic earnings per share	88,105	85,937
Underlying basic earnings per share	362.2 cent	338.7 cent
Weighted average number of ordinary shares used to determine diluted earnings per share	88,559	86,228
Underlying fully diluted earnings per share	360.3 cent	337.5 cent

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

12 Property, plant and equipment

31 July 2013 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Cost					
At 1 August 2012	514,237	825,818	8,409	58,849	1,407,313
Additions	10,816	45,777	946	113,397	170,936
Transfer from assets under construction	6,862	72,625	–	(79,487)	–
Arising on business combination (note 29)	57,814	80,668	765	–	139,247
Disposals and asset write-downs	(24,297)	(40,395)	(4,104)	–	(68,796)
Transfer to investment properties (note 13)	(600)	–	–	–	(600)
Translation adjustments	(22,996)	(51,637)	(375)	(7,180)	(82,188)
At 31 July 2013	541,836	932,856	5,641	85,579	1,565,912
Accumulated depreciation					
At 1 August 2012	37,105	343,079	4,542	–	384,726
Depreciation charge for year	14,512	76,561	1,779	–	92,852
Disposals and asset write-downs	(6,650)	(20,178)	(3,677)	–	(30,505)
Translation adjustments	(2,682)	(20,080)	(246)	–	(23,008)
At 31 July 2013	42,285	379,382	2,398	–	424,065
Net book amounts					
At 31 July 2013	499,551	553,474	3,243	85,579	1,141,847
At 31 July 2012	477,132	482,739	3,867	58,849	1,022,587

Assets held under finance leases

The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Total
At 31 July 2013	787	2,149	109	3,045
At 31 July 2012	728	4,138	205	5,071

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

31 July 2012 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Cost					
At 1 August 2011	487,157	707,331	10,244	32,678	1,237,410
Additions	16,490	45,814	876	53,901	117,081
Transfer from assets under construction	9,747	19,700	–	(29,447)	–
Arising on business combination (note 29)	921	18,102	17	–	19,040
Disposals and asset write-downs	(12,320)	(24,664)	(3,457)	–	(40,441)
Transfer to investment properties (note 13)	(7,456)	–	–	–	(7,456)
Translation adjustments	19,698	59,535	729	1,717	81,679
At 31 July 2012	514,237	825,818	8,409	58,849	1,407,313
Accumulated depreciation					
At 1 August 2011	29,883	263,011	4,567	–	297,461
Depreciation charge for year	14,283	73,644	2,752	–	90,679
Disposals and asset write-downs	(9,304)	(16,218)	(3,155)	–	(28,677)
Translation adjustments	2,243	22,642	378	–	25,263
At 31 July 2012	37,105	343,079	4,542	–	384,726
Net book amounts					
At 31 July 2012	477,132	482,739	3,867	58,849	1,022,587
At 31 July 2011	457,274	444,320	5,677	32,678	939,949

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

13 Investment properties

in EUR '000	2013	2012
Balance at 1 August	29,268	32,180
Transfer from property, plant and equipment (note 12)	600	7,456
Disposals	–	(485)
Fair value adjustments (note 2)	(6,606)	(9,665)
Translation adjustment	(278)	(218)
Balance at 31 July	22,984	29,268

Investment property is principally comprised of properties previously used in operations, which were transferred to investment property upon the determination that the properties would no longer be used in operations, but instead would be held as an investment for capital appreciation.

The Group incurred €6,606,000 (2012: €9,665,000) of fair value adjustments primarily related to the carrying value of Origin investment properties, based on the results of independent valuations. These adjustments are the result of the continuing decline in the Irish property market, lack of transactions, restricted bank financing for property-related deals, a difficult economic environment, and the indication that the value of development land in regional areas is converging to that of agricultural land. Rental income and operating expenses recognised related to these properties were not significant.

14 Goodwill and intangible assets

31 July 2013 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Cost							
At 1 August 2012	1,791,484	1,006,582	293,066	35,890	86,778	36,536	3,250,336
Additions	–	70	225	4,687	63,719	–	68,701
Arising on business combination (note 29)	133,087	121,621	–	–	–	2,206	256,914
Disposals and asset write-downs	–	–	–	(754)	(1,941)	–	(2,695)
Translation adjustments	(104,348)	(72,213)	(9,444)	(159)	(1,282)	(2,491)	(189,937)
At 31 July 2013	1,820,223	1,056,060	283,847	39,664	147,274	36,251	3,383,319
Accumulated amortisation							
At 1 August 2012	–	247,320	86,818	31,760	8,008	4,448	378,354
Amortisation	–	85,644	21,950	1,969	7,884	2,768	120,215
Disposals and asset write-downs	–	–	–	(182)	–	–	(182)
Translation adjustments	–	(15,692)	(2,547)	(1,627)	–	(444)	(20,310)
At 31 July 2013	–	317,272	106,221	31,920	15,892	6,772	478,077
Net book amounts							
At 31 July 2013	1,820,223	738,788	177,626	7,744	131,382	29,479	2,905,242
At 31 July 2012	1,791,484	759,262	206,248	4,130	78,770	32,088	2,871,982

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

31 July 2012 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Cost							
At 1 August 2011	1,613,057	905,724	284,319	36,205	48,934	14,319	2,902,558
Additions	–	575	–	3,131	34,229	–	37,935
Arising on business combination (note 29)	51,613	26,708	–	–	–	19,077	97,398
Transfer from/(to) ERP-related intangibles	–	–	–	(4,614)	4,614	–	–
Disposals and asset write-downs	–	–	–	(1,340)	(1,647)	–	(2,987)
Translation adjustments	126,814	73,575	8,747	2,508	648	3,140	215,432
At 31 July 2012	1,791,484	1,006,582	293,066	35,890	86,778	36,536	3,250,336
Accumulated amortisation							
At 1 August 2011	–	152,200	66,838	27,170	4,005	1,389	251,602
Amortisation	–	82,949	18,053	2,462	5,307	2,720	111,491
Transfer from/(to) ERP-related intangibles	–	–	–	631	(631)	–	–
Disposals and asset write-downs	–	–	–	(902)	(716)	–	(1,618)
Translation adjustments	–	12,171	1,927	2,399	43	339	16,879
At 31 July 2012	–	247,320	86,818	31,760	8,008	4,448	378,354
Net book amounts							
At 31 July 2012	1,791,484	759,262	206,248	4,130	78,770	32,088	2,871,982
At 31 July 2011	1,613,057	753,524	217,481	9,035	44,929	12,930	2,650,956

Impairment testing on goodwill

Goodwill acquired through business combinations is allocated at acquisition to the cash-generating units, or groups of cash generating-units, that are expected to benefit from the synergies of the business combination.

As part of the ARYZTA Transformation Initiative, at the beginning of financial year 2013, management began evaluating performance and allocating resources across historical business units. Therefore, management performed goodwill impairment testing based on the carrying values included in those historical business units, prior to any reallocations of historical goodwill balances. No indicators of impairment were noted as a result of that testing.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The business units shown in the following table represent the lowest level at which goodwill is now monitored for internal management purposes. Accordingly, this is also the level at which the 2013 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant cash-generating units, as well as the key assumptions used in the 2013 impairment testing, are summarised as follows:

in EUR `000	Pre-tax discount rate 2013	Projection period	Terminal growth rate	Carrying Value 2013	Carrying Value 2012
Food UK and Ireland	8.2%	2 years	2%	148,504	156,674
Food Germany and Austria	6.8%	2 years	2%	307,906	197,847
Food Switzerland	5.7%	2 years	2%	215,123	221,000
Food France	8.3%	2 years	2%	105,812	105,812
Other ¹				41,773	41,932
Total Food Europe				819,118	723,265
Food North America	7.8%	2 years	2%	865,755	913,183
Food Rest of World	12.5%	2 years	2%	60,780	73,115
Origin	10.8%	3 years	2%	74,570	81,921
				1,820,223	1,791,484
Goodwill arising on investments in JVs and associates				58,256	76,923

¹ Comprised of goodwill in a number of cash-generating units which are individually insignificant.

The Group tests goodwill for impairment annually, during the last quarter of the financial year, or more frequently if changes in circumstances indicate a potential impairment. No impairment losses have been recognised related to the Group's goodwill during the years ended 31 July 2013 and 31 July 2012.

The recoverable amounts of cash-generating units are based on value-in-use calculations. These calculations use pre-tax cash flow projections based on expected future operating results and related cash flows at the time the impairment test is performed. These projections are based on current operating results of the individual cash-generating units and an assumption regarding future organic growth. For the purposes of the calculation of value-in-use, the cash flows are projected based on financial budgets approved by management, with additional cash flows in subsequent years calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

Any significant adverse change in the expected future operational results and cash flows may result in the value-in-use being less than the carrying amount of a cash-generating unit and would require that the carrying amount of the cash-generating unit be impaired and stated at the recoverable amount of the business unit. However, based on the results of the impairment testing undertaken during the years ended 31 July 2013 and 31 July 2012, sufficient headroom exists such that any reasonable movement in any of the underlying assumptions would not give rise to an impairment charge. Key assumptions include management's estimates of future profitability, specifically the terminal growth rate, as well as the discount rate used.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The terminal growth rate within the discounted cash flow model is a significant factor in determining the value-in-use of the cash-generating units. A terminal growth rate is included to take into account the Group's strong financial position, its established history of earnings growth, ongoing cash flow generation and its proven ability to pursue and integrate value-enhancing acquisitions. The terminal growth rates utilised approximated the relevant long-term inflation rates. While the terminal growth rate is a significant factor in the goodwill impairment testing, reducing the terminal growth rate to 0.0% would not give rise to a material impairment.

The discount rate used is also a significant factor in determining the value-in-use of the cash-generating units. These rates are based on the relevant risk-free rate, adjusted to reflect the risk associated with the respective future cash flows from that cash-generating unit. While the discount rate is a significant factor in the goodwill impairment testing, increasing the discount rate by 1% would not give rise to a material impairment.

The goodwill included within the carrying amount of investments in associates and joint ventures is subject to impairment testing when an indicator of impairment arises.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

15 Investments in associates and joint ventures

31 July 2013 in EUR '000	Notes	Share of associates net assets	Share of joint ventures net assets	Total
At 1 August 2012		52,378	75,006	127,384
Share of profits, after tax and before acquisition and restructuring-related costs	6	7,420	14,637	22,057
Group share of acquisition and restructuring-related costs		(311)	–	(311)
Net receipts from associates and JVs		–	(21)	(21)
Dividends received		(2,273)	(4,635)	(6,908)
Disposal of interest in joint ventures and associate	2	(16,587)	(76,519)	(93,106)
Losses through other comprehensive income		(4,957)	(1,291)	(6,248)
Translation adjustments		(1,780)	4,168	2,388
At 31 July 2013		33,890	11,345	45,235
31 July 2012 in EUR '000	Notes			
At 1 August 2011		49,571	74,486	124,057
Share of profits, after tax and before acquisition and restructuring-related costs	6	7,099	7,101	14,200
Group share of acquisition and restructuring-related costs		(6,384)	–	(6,384)
Gain on dilution of investment	2	2,305	–	2,305
Net contributions to / (receipts from) associates and JVs		7,745	(14)	7,731
Dividends received		(5,329)	(5,744)	(11,073)
Disposal of interest in Joint Venture	2	–	(3,258)	(3,258)
(Losses)/gains through other comprehensive income		(4,269)	254	(4,015)
Translation adjustments		1,640	2,181	3,821
At 31 July 2012		52,378	75,006	127,384

The amounts included in these Group consolidated financial statements in respect of the post-acquisition profits or losses of associates and joint ventures are taken from their latest financial statements prepared up to their respective year-ends, together with management accounts for the intervening periods to the Group's year-end. All joint ventures of the Group have a 31 December year-end. All associates of the Group have a 31 July year-end, with the exception of Valeo, which has a year-end of 31 March.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The investment in associates and joint ventures is analysed as follows:

31 July 2013 in EUR `000	Associates	Joint ventures	Total
Non-current assets	19,255	7,273	26,528
Current assets	62,840	41,361	104,201
Non-current liabilities	(62,408)	(18,252)	(80,660)
Current liabilities	(44,053)	(19,037)	(63,090)
Net (liabilities)/assets	(24,366)	11,345	(13,021)
Goodwill arising on investments in associates and joint ventures	58,256	–	58,256
At 31 July 2013	33,890	11,345	45,235

31 July 2012 in EUR `000	Associates	Joint ventures	Total
Non-current assets	34,315	55,548	89,863
Current assets	70,976	79,578	150,554
Non-current liabilities	(68,138)	(33,669)	(101,807)
Current liabilities	(43,000)	(45,149)	(88,149)
Net (liabilities)/assets	(5,847)	56,308	50,461
Goodwill arising on investments in associates and joint ventures	58,225	18,698	76,923
At 31 July 2012	52,378	75,006	127,384

16 Inventory

in EUR `000	2013	2012
Raw materials	89,364	69,913
Finished goods	188,041	187,354
Consumable stores	20,236	24,650
	297,641	281,917

A total expense of €8,866,000 (2012: €5,898,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

17 Trade and other receivables

in EUR `000	2013	2012
Non-current		
Loan note due from associate	39,433	37,223
Current		
Trade receivables, net	514,446	490,691
Trade receivables due from associates and joint ventures	2,591	1,709
VAT recoverable	24,169	17,717
Prepayments and accrued income	22,606	26,415
Amount due from disposal of joint venture (note 2)	94,002	–
Other receivables	21,031	17,034
	678,845	553,566

A total expense of €3,597,000 (2012: €2,410,000) was recognised in the Group Consolidated Income Statement arising from impairment of trade receivables.

18 Trade and other payables

in EUR `000	2013	2012
Non-current		
Other payables	34,534	11,134
Non-controlling interest forward contract	13,656	13,446
	48,190	24,580
Current		
Trade payables	605,167	595,487
Trade payables due to associates and joint ventures	1,204	1,567
Accruals and other payables ¹	374,962	320,945
Employee related tax and social welfare	10,205	10,604
VAT payable	12,604	13,737
	1,004,142	942,340

¹ Accruals and other payables consist primarily of balances due for goods and services received not yet invoiced and for staff compensation.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

19 Contingent consideration

Contingent consideration comprises the net present value of the amounts expected to be payable arising on business combinations. Residual contingent consideration is due entirely within five years of the related acquisition and is payable subject to the achievement of earnings or revenue-based targets.

in EUR `000	2013	2012
Balance at 1 August	10,042	21,358
Arising on business combination (note 29)	12,821	245
Discounting unwind	187	588
Payments of contingent consideration	(9,114)	(13,346)
Released to income statement	(579)	–
Translation adjustment	(577)	1,197
Balance at 31 July	12,780	10,042
Classified as:		
Current – due within one year	4,210	10,042
Non-current – due after more than one year	8,570	–
	12,780	10,042

20 Cash and cash equivalents

In accordance with IAS 7, Statement of Cash Flows, cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group Consolidated Balance Sheet.

As set out further in note 21 of these Group consolidated financial statements, the Group operates two distinct debt funding structures, which are segregated in line with its segmental and corporate reporting structures. One Group funding structure finances the Food Group segments as a whole. The second funding structure finances the Group's separately listed subsidiary, Origin Enterprises plc, and its related subsidiaries.

The cash and cash equivalents included in the Group Consolidated Cash Flow Statement are analysed as follows:

in EUR `000	2013	2012
Food Group cash at bank and in hand	501,438	452,175
Origin cash at bank and in hand	125,484	95,299
Total cash at bank and in hand	626,922	547,474
Food Group bank overdraft	(230,022)	(195,908)
Origin bank overdraft	(4,424)	(6,477)
Bank overdrafts (note 21)	(234,446)	(202,385)
Included in the Group Consolidated Cash Flow Statement	392,476	345,089

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Cash at bank and in hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

21 Interest-bearing loans and borrowings

As indicated in note 20, the Group operates two distinct debt funding structures, which are segregated in line with its segmental and corporate reporting structures. One Group funding structure finances the Food Group segments as a whole. The second funding structure finances the Group's separately listed subsidiary, Origin Enterprises plc, and its related subsidiaries.

Each of the Food Group and Origin funding structures has been independently negotiated. As a result, these two parts of the Group effectively act as separate independent counterparties from a third-party borrowing perspective. There are no cross guarantees between the Food Group and Origin segments of the Group in respect of their separate funding facilities.

The bank and private placement borrowings of the Food Group share security via a security assignment agreement. In addition, the private placement borrowings of the Food Group are secured by guarantees from ARYZTA AG and upstream guarantees from various companies within the Food Group.

All Group borrowings within the Origin structure are guaranteed by Origin Enterprises plc and its main trading subsidiaries. The Origin borrowings do not have recourse to ARYZTA AG or any Group subsidiaries outside of the Origin Group.

in EUR `000	2013	2012
Included in non-current liabilities		
Food Group loans	1,006,799	1,173,360
Origin loans	150,225	155,825
Total bank loans	1,157,024	1,329,185
Finance leases	411	1,261
Non-current interest-bearing loans and borrowings	1,157,435	1,330,446
Included in current liabilities		
Food Group loans	112,952	56,303
Bank overdrafts	234,446	202,385
Finance leases	876	2,431
Current interest-bearing loans and borrowings	348,274	261,119
Total bank loans and overdrafts	1,504,422	1,587,873
Total finance leases	1,287	3,692
Total interest-bearing loans and borrowings	1,505,709	1,591,565

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Analysis of net debt in EUR '000	1 August 2012	Cash flows	Non-cash movements	Translation adjustment	31 July 2013
Cash	547,474	108,351	–	(28,903)	626,922
Overdrafts	(202,385)	(40,089)	–	8,028	(234,446)
Cash and cash equivalents	345,089	68,262	–	(20,875)	392,476
Loans	(1,385,488)	26,545	(2,887)	91,854	(1,269,976)
Finance leases	(3,692)	2,177	–	228	(1,287)
Net debt	(1,044,091)	96,984	(2,887)	71,207	(878,787)

Split of net debt in EUR '000	1 August 2012	Cash flows	Non-cash movements	Translation adjustment	31 July 2013
Food Group net debt	(976,283)	67,287	(2,256)	62,024	(849,228)
Origin net debt	(67,808)	29,697	(631)	9,183	(29,559)
Net debt	(1,044,091)	96,984	(2,887)	71,207	(878,787)

The terms of outstanding loans are as follows:

2013	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Food Group loans				
Senior secured revolving working capital facility	Various	2016	187,739	182,805
Swiss Bond	CHF	2015	162,094	161,395
Private placement 2010				
Series B	USD	2016	30,120	29,961
Series C	USD	2018	45,181	44,941
Series D	USD	2021	112,952	112,353
Series E	USD	2022	75,301	74,902
Series F	EUR	2020	25,000	24,868
Private placement 2009				
Series A	USD	2021	60,241	59,868
Series B	USD	2024	30,120	29,934
Series C	USD	2029	60,241	59,868
Private placement 2007				
Series A	USD	2014	112,952	112,952
Series B	USD	2017	188,253	188,253
Series C	USD	2019	37,651	37,651
Origin loan facilities				
Unsecured revolving credit facility	GBP	2016	34,764	34,530
Unsecured term loan facility	GBP	2016	86,330	85,751
Unsecured term loan facility	EUR	2015	30,000	29,944
			1,278,939	1,269,976

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

2012	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Food Group loans				
Senior secured revolving working capital facility	Various	2016	183,799	177,247
Swiss Bond	CHF	2015	166,522	165,359
Private placement 2010				
Series A	USD	2013	56,589	56,303
Series B	USD	2016	32,336	32,173
Series C	USD	2018	48,504	48,260
Series D	USD	2021	121,261	120,649
Series E	USD	2022	80,841	80,433
Series F	EUR	2020	25,000	24,874
Private placement 2009				
Series A	USD	2021	64,673	64,233
Series B	USD	2024	32,336	32,116
Series C	USD	2029	64,673	64,233
Private placement 2007				
Series A	USD	2014	121,261	121,261
Series B	USD	2017	202,102	202,102
Series C	USD	2019	40,420	40,420
Origin loan facilities				
Unsecured revolving credit facility	GBP	2016	38,197	37,779
Unsecured term loan facility	GBP	2016	89,127	88,150
Unsecured term loan facility	EUR	2015	30,000	29,896
			1,397,641	1,385,488

The weighted average effective interest rate in respect of the Group's interest-bearing loans was as follows:

	2013	2012
Food Group loans	4.62%	4.68%
Origin Loans	2.98%	3.16%
Total bank loans	4.43%	4.51%

The pre-tax weighted average cost of capital associated with the Group's financing structures was as follows:

	2013	2012
Food Group	7.7%	8.0%
Origin	10.8%	11.6%

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Repayment schedule – loans and overdrafts (nominal values)		
in EUR '000	2013	2012
Less than one year	347,398	258,974
Between one and five years	764,481	863,344
After five years	401,506	477,708
	1,513,385	1,600,026

Repayment schedule – finance leases	Minimum lease payments	Interest	Present value of payments	Minimum lease payments	Interest	Present value of payments
in EUR '000	2013	2013	2013	2012	2012	2012
Less than one year	903	27	876	2,550	119	2,431
Between one and five years	426	15	411	1,313	52	1,261
After five years	–	–	–	–	–	–
	1,329	42	1,287	3,863	171	3,692

22 Financial instruments and financial risk

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

in EUR '000	Fair value hierarchy	Fair Value through income statement 2013	Hedge instruments 2013	Loans and receivables 2013	Liabilities at amortised cost 2013	Total carrying amount 2013	Fair value 2013
Trade and other receivables (excluding prepayments)		–	–	671,503	–	671,503	671,503
Cash and cash equivalents		–	–	626,922	–	626,922	626,922
Derivative financial assets	Level 2	–	1,821	–	–	1,821	1,821
Total financial assets		–	1,821	1,298,425	–	1,300,246	1,300,246
Trade and other payables (excluding non-financial liabilities)		–	–	–	(1,015,867)	(1,015,867)	(1,015,867)
Bank overdrafts		–	–	–	(234,446)	(234,446)	(234,446)
Bank borrowings		–	–	–	(1,269,976)	(1,269,976)	(1,400,117)
Finance lease liabilities		–	–	–	(1,287)	(1,287)	(1,287)
Forward purchase obligation	Level 3	(13,656)	–	–	–	(13,656)	(13,656)
Derivative financial liabilities	Level 2	–	(3,490)	–	–	(3,490)	(3,490)
Total financial liabilities		(13,656)	(3,490)	–	(2,521,576)	(2,538,722)	(2,668,863)

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

in EUR '000	Fair value hierarchy	Fair Value through income statement 2012	Hedge instruments 2012	Loans and receivables 2012	Liabilities at amortised cost 2012	Total carrying amount 2012	Fair value 2012
Trade and other receivables (excluding prepayments)		–	–	546,657	–	546,657	546,657
Cash and cash equivalents		–	–	547,474	–	547,474	547,474
Derivative financial assets	Level 2	–	422	–	–	422	422
Total financial assets		–	422	1,094,131	–	1,094,553	1,094,553
Trade and other payables (excluding non-financial liabilities)		–	–	–	(929,133)	(929,133)	(929,133)
Bank overdrafts		–	–	–	(202,385)	(202,385)	(202,385)
Bank borrowings		–	–	–	(1,385,488)	(1,385,488)	(1,531,545)
Finance lease liabilities		–	–	–	(3,692)	(3,692)	(3,692)
Forward purchase obligation	Level 3	(13,446)	–	–	–	(13,446)	(13,446)
Derivative financial liabilities	Level 2	–	(5,924)	–	–	(5,924)	(5,924)
Total financial liabilities		(13,446)	(5,924)	–	(2,520,698)	(2,540,068)	(2,686,125)

Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding tables.

Trade and other receivables/payables

All trade and other receivables or payables, other than the forward purchase obligation mentioned below, are carried at amortised cost, less any impairment provision. For any trade and other receivables or payables with a remaining life of less than six months or demand balances, the carrying value, less impairment provision where appropriate, is deemed to reflect fair value.

Cash and cash equivalents, including short-term bank deposits

For short-term bank deposits and cash and cash equivalents, all of which have an original and remaining maturity of less than three months, the nominal amount is deemed to reflect fair value.

Derivatives (forward currency contracts and interest rate swaps)

Forward currency contracts are marked to market using quoted forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Interest-bearing loans and borrowings

For interest-bearing loans and borrowings with a contractual re-pricing date of less than six months, the nominal amount is considered to approximate fair value for disclosure purposes. For loans with a re-pricing date of greater than six months, the fair value is calculated based on the expected future principal and interest cash flows, discounted at appropriate current market interest rates.

Finance lease liabilities

Fair value is based on the present value of future cash flows discounted at implicit interest rates.

Notes to the Group Consolidated Financial Statements (continued)

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Forward purchase obligation

The other long-term liability related to the HiCoPain forward purchase contract (notes 18 and 26) is carried at fair value through profit and loss. In accordance with the terms of that agreement, the fair value of this financial instrument is based on the estimated net book value of HiCoPain AG upon the final exit of the minority shareholder. As the fair value of this obligation is based on inputs not observable within the market, it has been classified as a Level 3 financial liability.

The following table presents the changes in Level 3 instruments for the years ended 31 July 2013 and 2012, respectively.

Movement in Forward Purchase Obligation in EUR '000	2013	2012
Balance at 1 August	13,446	–
Recognition of NCI forward purchase obligation and related costs	983	13,429
Amounts recognised in profit and loss	(410)	–
Translation adjustments	(363)	17
Balance at 31 July	13,656	13,446

Fair value hierarchy

The tables at the beginning of this note summarise the financial instruments carried at fair value, by valuation method. Fair value classification levels have been assigned to the Group's financial instruments carried at fair value. The different levels assigned are defined as follows:

- Level 1: Prices quoted in active markets
- Level 2: Valuation techniques based on observable market data
- Level 3: Valuation techniques based on unobservable inputs

Risk exposures

Group risk management

Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. This overall Group risk management process includes the performance of a risk assessment that is described in more detail in note 33. Financial risk management specifically is described in further detail below.

Financial risk management

The Group's international operations expose it to different financial risks that include:

- credit risks,
- liquidity risks,
- foreign exchange rate risks,
- interest rate risks, and
- commodity price risks.

The Group has a risk management programme in place, which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Credit risk

Exposure to credit risk

Credit risk arises from credit issued to customers on outstanding receivables and outstanding transactions, as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographically.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual risk limits are generally set by customer, and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. Impairment provisions are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off directly against the trade receivable.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group also manages credit risk through the use of a receivables purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk and control of certain trade receivables, amounting to €20,036,000 (2012: €28,114,000). The Group has continued to recognise an asset of €282,000 (2012: €352,000), representing the maximum extent of its continuing involvement or exposure and an associated liability of a similar amount.

Cash and short-term bank deposits

Cash and short-term bank deposits are invested with institutions with the highest short-term credit rating, with limits on amounts held with individual banks or institutions at any one time. Management does not expect any losses from non-performance by these counterparties.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Exposure to credit risk

The carrying amount of financial assets, net of impairment provisions, represents the Group's maximum credit exposure. The maximum exposure to credit risk at year-end was as follows:

in EUR `000	Carrying amount 2013	Carrying amount 2012
Trade and other receivables	671,503	546,657
Cash and cash equivalents	626,922	547,474
Derivative financial assets	1,821	422
	1,300,246	1,094,553

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

in EUR `000	Carrying amount 2013	Carrying amount 2012
Europe	417,268	381,370
North America	73,743	86,440
Rest of World	23,435	22,881
	514,446	490,691

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was as follows:

in EUR `000	Carrying amount 2013	Carrying amount 2012
Food Group trade receivables	267,857	228,548
Origin trade receivables	246,589	262,143
	514,446	490,691

The aging of trade receivables at the reporting date was as follows:

in EUR `000	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	419,803	1,065	369,987	114
Past due 0–30 days	82,892	518	96,800	278
Past due 31–120 days	23,484	10,150	32,660	8,364
Past due more than 121 days	5,911	5,911	5,320	5,320
	532,090	17,644	504,767	14,076

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The Group standard payment terms are typically 0–60 days. With the exception of the long-term note due from an associate, all other receivables are due in less than six months. All other receivables are deemed to be fully recoverable.

Analysis of movement in impairment provisions in respect of trade receivables was as follows:

in EUR `000	2013	2012
Balance at 1 August	14,076	13,254
Arising on business combination	1,947	544
Charged during the year	3,597	2,410
Utilised during the year	(1,487)	(2,544)
Translation adjustment	(489)	412
Balance at 31 July	17,644	14,076

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between flexibility and continuity of funding. The Group's policy is that not more than 40% of total bank borrowing facilities should mature in any twelve-month period. At 31 July 2013, 23% of the Group's total borrowings will mature within the next 12 months.

In November 2011, the Food Group agreed an amendment to its existing syndicated loan facility, which increased the amount available from CHF 600,000,000 (€486,283,000) to CHF 970,000,000 (€786,157,000) and extended the maturity of the facility by two years to December 2016, with unchanged interest rate margins and financial covenants. The Food Group also has USD 1,000,000,000 (€753,012,000) and €25,000,000 private placement facilities and a CHF 200,000,000 (€162,094,000) Swiss-listed bond. Short-term flexibility is achieved through the availability of overdrafts totalling €376,764,000.

In July 2011, Origin negotiated new syndicated loan facilities with an available principal of €300,000,000, which matures in July 2016. In March 2012, Origin additionally arranged an unsecured term loan facility with an available principal of €30,000,000, which matures in March 2015. Short-term flexibility is achieved through the availability of overdraft facilities totalling €43,400,000.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2013 in EUR '000	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(936,945)	(1,231,914)	(21,693)	(139,913)	(204,288)	(360,613)	(505,407)
Variable rate bank loans	(333,031)	(364,795)	(4,423)	(4,423)	(38,540)	(317,409)	–
Finance lease liabilities	(1,287)	(1,329)	(543)	(360)	(310)	(116)	–
Bank overdrafts	(234,446)	(234,446)	(234,446)	–	–	–	–
Trade and other payables	(1,015,867)	(1,015,867)	(954,037)	(27,296)	(9,131)	(4,763)	(20,640)
Forward purchase obligation	(13,656)	(13,656)	–	–	–	(13,656)	–
Derivative financial instruments							
Interest rate swaps used for hedging	(3,044)	(3,044)	–	(908)	(1,002)	(1,134)	–
Currency forward contracts used for hedging							
– Inflows	–	66,699	22,750	43,949	–	–	–
– Outflows	(446)	(67,145)	(23,062)	(44,083)	–	–	–
	(2,538,722)	(2,865,497)	(1,215,454)	(173,034)	(253,271)	(697,691)	(526,047)

2012 in EUR '000	Carrying amount	Contractual cash flows	6 mths or less	6 – 12 mths	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities							
Fixed rate bank loans	(1,052,416)	(1,422,451)	(24,161)	(86,162)	(173,167)	(523,604)	(615,357)
Variable rate bank loans	(333,072)	(380,358)	(5,002)	(5,002)	(10,002)	(360,352)	–
Finance lease liabilities	(3,692)	(3,863)	(1,389)	(1,161)	(969)	(344)	–
Bank overdrafts	(202,385)	(202,385)	(202,385)	–	–	–	–
Trade and other payables	(929,133)	(929,133)	(900,398)	(17,601)	(2,962)	(3,461)	(4,711)
Forward purchase obligation	(13,446)	(13,446)	–	–	–	(13,446)	–
Derivative financial instruments							
Interest rate swaps used for hedging	(3,112)	(3,112)	(560)	(544)	(1,026)	(982)	–
Currency forward contracts used for hedging							
– Inflows	–	77,325	75,056	2,269	–	–	–
– Outflows	(2,812)	(80,137)	(77,717)	(2,420)	–	–	–
	(2,540,068)	(2,957,560)	(1,136,556)	(110,621)	(188,126)	(902,189)	(620,068)

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Accounting for derivatives and hedging activities

The fair value of derivative financial assets and liabilities at the balance sheet date is set out in the following table:

in EUR '000	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Cash flow hedges				
Currency forward contracts	1,803	(446)	416	(2,812)
Interest rate swaps	18	(3,044)	6	(3,112)
At 31 July	1,821	(3,490)	422	(5,924)

Cash flow hedges

Cash flow hedges are those of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates.

There is no significant difference between the timing of the cash flows and the income statement effect of cash flow hedges.

Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

In addition to the Group's operations carried out in eurozone economies, it also has significant operations in the UK, Switzerland and North America. As a result, the Group Consolidated Balance Sheet is exposed to currency fluctuations including, in particular, Sterling, US dollar, Canadian dollar and Swiss franc movements. The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies.

Net investment hedges

As part of its approach towards mitigating its exposure to foreign currency risk, the Group will, when required, fund foreign currency assets in the currency of the related assets.

These relationships are typically designated by the Group as net investment hedges of foreign currency exposures on net investments in foreign operations using the borrowings as the hedging instrument. These hedge designations allow the Group to mitigate the risk of foreign currency exposures on the carrying amount of net assets in foreign operations in its Group consolidated financial statements.

The borrowings designated in net investment hedge relationships are measured at fair value, with the effective portion of the change in value of the borrowings being recognised directly through other comprehensive income in the foreign currency translation reserve. Any ineffectiveness arising on such hedging relationships is recognised immediately in the income statement.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Currency swaps

The Group also hedges a portion of its transactional currency exposure through the use of currency swaps. Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group requires its operating units to use forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency and match the settlement terms of the hedged item.

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2013:

2013 in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,304	2,473	5,239	1,209	8,672	3,446	29,343
Other receivables	22	100	23	–	22	127	294
Cash and cash equivalents	2,785	3,454	20	36	5,287	917	12,499
Trade payables	(2,473)	(16,007)	(2,379)	(4,908)	(42,568)	(1,100)	(69,435)
Other payables	(4,215)	(586)	(2,543)	(980)	(12,606)	(287)	(21,217)
Derivative financial instruments	(1,477)	(102)	–	1	(328)	7	(1,899)
At 31 July 2013	2,946	(10,668)	360	(4,642)	(41,521)	3,110	(50,415)

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2012:

2012 in EUR '000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	4,728	1,637	5,174	1,847	4,334	2,227	19,947
Other receivables	–	80	28	–	–	46	154
Cash and cash equivalents	931	4,158	4,531	37	11,286	773	21,716
Trade payables	(4,191)	(3,655)	(2,743)	(837)	(30,172)	(180)	(41,778)
Other payables	(1,224)	(580)	(2,601)	(1,821)	(1,956)	–	(8,182)
Derivative financial instruments	(2,170)	(274)	(207)	(59)	(1,887)	(147)	(4,744)
At 31 July 2012	(1,926)	1,366	4,182	(833)	(18,395)	2,719	(12,887)

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Currency sensitivity analysis

A 10% strengthening or weakening of the euro against the following currencies at 31 July would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in the prior year.

2013 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(402)	18,966	491	(23,180)
USD	961	9,522	(1,174)	(11,638)
CAD	(33)	33	40	(40)
CHF	422	–	(516)	–
At 31 July 2013	948	28,521	(1,159)	(34,858)

2012 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(22)	20,696	27	(25,295)
USD	(149)	12,350	182	(15,094)
CAD	(399)	24	488	(30)
CHF	70	5	(86)	(7)
At 31 July 2012	(500)	33,075	611	(40,426)

The impact on equity from changing exchange rates results principally from foreign currency loans designated as net investment hedges. This impact would be offset by the revaluation of the hedged net assets, which would also be recorded in equity.

Interest rate risk

The Group's debt bears both floating and fixed rates of interest as per the original contracts. Fixed rate debt is achieved through the issuance of fixed rate debt or the use of interest rate swaps. At 31 July, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

in EUR `000	Carrying amount 2013	Carrying amount 2012
Fixed rate instruments		
Bank borrowings	(936,945)	(1,052,416)
Finance lease liabilities	(1,287)	(3,692)
	(938,232)	(1,056,108)
Variable rate instruments		
Cash and cash equivalents	626,922	547,474
Bank overdrafts	(234,446)	(202,385)
Bank borrowings	(333,031)	(333,072)
Total interest-bearing financial instruments	(878,787)	(1,044,091)

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Cash flow sensitivity analysis for variable rate liabilities

A change of 50 basis points ('bp') in interest rates at the reporting date would have had the effect as shown below on the Group Consolidated Income Statement and equity. This analysis assumes that all other variables, in particular interest earned on cash and cash equivalents and foreign currency exchange rates, remain constant. The analysis is performed on the same basis as in the prior year.

2013 in EUR `000	Principal amount	Impact of 50 bp increase on Income Statement	Impact of 50 bp increase on equity
Bank overdrafts	(234,446)	(1,172)	–
Variable rate bank borrowings	(333,031)	(1,665)	–
Interest rate swaps	398,831	–	1,994
Cash flow sensitivity, net	(168,646)	(2,837)	1,994

2012 in EUR `000	Principal amount	Impact of 50 bp increase on Income Statement	Impact of 50 bp increase on equity
Bank overdrafts	(202,385)	(1,012)	–
Variable rate bank borrowings	(333,072)	(1,665)	–
Interest rate swaps	134,591	–	673
Cash flow sensitivity, net	(400,866)	(2,677)	673

Commodity price risk

The Group purchases and sells certain commodities for the purposes of receipt or delivery and uses derivative contracts to protect itself from movements in prices other than exchange differences. These contracts are classified as 'own use' contracts, as they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item, in accordance with the business unit's expected purchase, sale or usage requirements. 'Own use' contracts are outside the scope of IAS 39, Financial Instruments: Recognition and Measurement, and are accounted for on an accruals basis. Where a commodity contract is not entered into, or does not continue to be held to meet the Group's own purchase, sale or usage requirements, it is treated as a derivative financial instrument, and the recognition and measurement requirements of IAS 39 are applied.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

23 Deferred income from government grants

in EUR `000	2013	2012
At 1 August	10,210	11,246
Received in the year	79	–
Arising on business combination	17,842	842
Recognised in Group Consolidated Income Statement	(2,644)	(1,581)
Translation adjustment	(236)	(297)
At 31 July	25,251	10,210

24 Deferred tax

The deductible and taxable temporary differences at the balance sheet date, in respect of which deferred tax has been recognised, are analysed as follows:

in EUR `000	2013	2012
Deferred tax assets (deductible temporary differences)		
Property, plant and equipment	3,377	2,505
Employee compensation	5,571	4,386
Pension related	6,395	5,037
Financing related	8,853	9,955
Tax loss carry-forwards and tax credits	32,071	37,814
Other	14,879	25,768
	71,146	85,465
Deferred tax liabilities (taxable temporary differences)		
Property, plant and equipment	(98,016)	(107,149)
Investment properties	(1,600)	(3,368)
Intangible assets	(248,577)	(267,555)
Pension related	(1,140)	(195)
Financing related	(10,242)	(9,550)
Unremitted earnings	(36,508)	(11,893)
Other	(5,933)	(12,412)
	(402,016)	(412,122)

Unrecognised deferred taxes

The deductible temporary differences, as well as the unused tax losses and tax credits, for which no deferred tax assets are recognised expire as follows:

in EUR `000	2013	2012
Within one year	196	722
Between one and five years	2,083	2,550
After five years	9,069	19,667
Total unrecognised tax losses	11,348	22,939

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Deferred income tax liabilities of €17,478,000 (2012: €40,371,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. During the financial year 2013, progress has continued on the Food Group ATI programme, which included an intra-group legal restructuring. This restructuring resulted in the recognition of previously unrecognised deferred taxes.

Movements in net deferred tax assets/(liabilities), during the year, were as follows:

2013 in EUR '000	Property, plant & equipment	Investment Properties	Intangible assets	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	Total
At 1 August 2012	(104,644)	(3,368)	(267,555)	4,386	4,842	405	25,921	13,356	(326,657)
Recognised in Group Consolidated Income Statement	4,910	2,019	31,833	1,510	239	1,078	(29,367)	(4,648)	7,574
Recognised in Group Consolidated Statement of Comprehensive Income	(211)	(251)	–	–	356	(2,447)	–	–	(2,553)
Arising on business combination (note 29)	–	–	(31,064)	–	–	–	–	–	(31,064)
Translation adjustments and other	5,306	–	18,209	(325)	(182)	(425)	(991)	238	21,830
At 31 July 2013	(94,639)	(1,600)	(248,577)	5,571	5,255	(1,389)	(4,437)	8,946	(330,870)

2012 in EUR '000	Property, plant & equipment	Investment Properties	Intangible assets	Employee compensation	Pension related	Financing related	Tax losses	Other	Total
At 1 August 2011	(89,194)	(3,370)	(263,651)	3,310	5,302	(8,306)	22,704	23,780	(309,425)
Recognised in Group Consolidated Income Statement	(3,434)	238	30,354	618	(2,727)	457	(1,259)	(11,235)	13,012
Recognised in Group Consolidated Statement of Comprehensive Income	(622)	(236)	–	–	2,002	7,122	–	–	8,266
Arising on business combination (note 29)	(1,238)	–	(11,016)	–	–	–	–	(212)	(12,466)
Translation adjustments and other	(10,156)	–	(23,242)	458	265	1,132	4,476	1,023	(26,044)
At 31 July 2012	(104,644)	(3,368)	(267,555)	4,386	4,842	405	25,921	13,356	(326,657)

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

25 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions within both the Food Group and Origin business segments. The majority of plans are externally funded with plan assets held in corresponding separate trustee-administered funds governed by local regulations and practice in each country.

Long-term employee benefits included in the Group Consolidated Balance Sheet comprises the following:

in EUR `000	2013	2012
Deficit in Food Group defined benefit plans	6,536	11,247
Deficit in Origin defined benefit plans	12,385	8,559
Total deficit in defined benefit plans	18,921	19,806
Other ¹	3,418	3,904
Total	22,339	23,710

¹ Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries. The residual actuarial deficit is being paid over the remaining lifetime of the pensioners.

The calculation of the defined benefit plan obligations and related overall deficit was performed by an independent, qualified actuary using the projected unit credit method. The main assumptions used were determined based on management experience and expectations in each country, as well as actuarial advice based on published statistics.

An average of these assumptions across all plans were as follows:

	2013	2012
Rate of increase in salaries	2.34%	2.00%
Rate of increases in pensions in payment and deferred benefits	2.93%	2.34%
Discount rate on plan liabilities	3.59%	3.70%
Inflation rate	2.56%	2.20%

The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

	2013	2012
Male	24.1	23.3
Female	26.2	25.4

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

	2013	2012
Male	22.1	21.6
Female	24.3	23.7

The expected and applied long-term rates of return on the assets of the plans were:

	2013	2012
Equities	6.8%	6.8%
Bonds	3.1%	3.0%
Property	5.2%	5.1%
Other	2.5%	2.6%

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Net pension liability in EUR `000	2013	2012	2011	2010	2009
Fair value of plan assets:					
Equities	47,085	43,087	42,230	28,035	34,896
Bonds	65,389	73,718	57,675	34,891	14,886
Property	14,957	9,545	12,301	6,061	5,086
Other	17,375	21,355	20,988	22,219	40,191
Total fair value of assets	144,806	147,705	133,194	91,206	95,059
Present value of plan liabilities	(163,727)	(167,511)	(145,303)	(103,034)	(120,295)
Deficit in the plans	(18,921)	(19,806)	(12,109)	(11,828)	(25,236)
Related deferred tax asset	5,255	4,842	5,302	3,998	3,610
Net pension liability	(13,666)	(14,964)	(6,807)	(7,830)	(21,626)

Movement in the fair value of Plan assets in EUR `000	2013	2012
Fair value of plan assets at 1 August	147,705	133,194
Expected return on plan assets	5,795	5,904
Employer contributions	4,459	6,094
Employee contributions	2,500	2,737
Translation adjustments	(7,729)	4,934
Benefit payments made	(1,815)	(4,569)
Plan settlements	(9,490)	–
Other	(298)	(1,301)
Actuarial gain on plan assets	3,679	712
Fair value of plan assets at 31 July	144,806	147,705

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Movement in the present value of Plan obligations		
in EUR `000	2013	2012
Value of plan obligations at 1 August	(167,511)	(145,303)
Current service cost	(3,444)	(3,277)
Past service gain	1,197	–
Interest on plan obligations	(5,892)	(5,965)
Employee contributions	(2,500)	(2,737)
Benefit payments made	1,815	4,569
Translation adjustments	7,880	(4,677)
Other	298	1,301
Plan settlements	9,490	–
Curtailment gain	2,459	–
Actuarial loss	(7,519)	(11,422)
Present value of plan obligations at 31 July	(163,727)	(167,511)

Movement in net liability recognised in the Group Consolidated

Balance Sheet		
in EUR `000	2013	2012
Net liability in plans at 1 August	(19,806)	(12,109)
Current service cost	(3,444)	(3,277)
Past service gain	1,197	–
Employer contributions	4,459	6,094
Other finance expense	(97)	(61)
Actuarial loss	(3,840)	(10,710)
Curtailment gain	2,459	–
Translation adjustments	151	257
Net liability in plans at 31 July	(18,921)	(19,806)

The estimated contributions expected to be paid during the year ending 31 July 2014 in respect of the Group's defined benefit plans is €6,099,000.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement		
in EUR '000	2013	2012
Current service cost	3,444	3,277
Past service gain	(1,197)	–
Curtailment gain	(2,459)	–
Non-financing (income)/expense recognised in Group Consolidated Income Statement	(212)	3,277
Expected return on Plan assets (note 3)	(5,795)	(5,904)
Interest cost on Plan liabilities (note 3)	5,892	5,965
Included in financing costs, net	97	61
Net (gain)/charge to Group Consolidated Income Statement	(115)	3,338
Actual return on pension Plan assets	9,474	6,616

Additionally, a charge of €11,767,000 (2012: €11,311,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income		
in EUR '000	2013	2012
Actual return less expected return on Plan assets	3,679	712
Experience losses on Plan liabilities	(1,055)	(880)
Changes in demographic and financial assumptions	(6,464)	(10,542)
Actuarial loss	(3,840)	(10,710)
Deferred tax effect of actuarial loss (note 9)	356	2,002
Actuarial loss recognised in Group Consolidated Statement of Comprehensive Income	(3,484)	(8,708)

History of experience gains and losses:	2013	2012	2011	2010	2009
<i>Difference between expected and actual return on plan assets and losses:</i>					
– Amount (in €'000)	3,679	712	(63)	3,700	(10,119)
– % of Plan assets	2.54%	0.48%	(0.05)%	4.06%	(10.64)%
<i>Experience (losses)/gains on plan obligations:</i>					
– Amount (in €'000)	(1,055)	(880)	(343)	2,681	3,177
– % of Plan obligations	(0.64)%	(0.53)%	(0.24)%	2.60%	2.64%
<i>Total actuarial losses recognised in Group Consolidated Statement of Comprehensive Income:</i>					
– Amount (in €'000)	(3,840)	(10,710)	(1,881)	(2,336)	(3,913)
– % of Plan obligations	(2.35)%	(6.39)%	(1.29)%	(2.27)%	(3.25)%

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2013 '000	2013 in EUR '000	2012 '000	2012 in EUR '000
At 1 August	91,811	1,172	85,045	1,061
Issue of registered shares (CHF 0.02)	–	–	6,766	111
At 31 July	91,811	1,172	91,811	1,172

On 22 November 2011, the issued shares were increased to 87,558,295 registered shares by the issue of 2,513,500 registered shares with a nominal value of CHF 0.02 each, pursuant to a share subscription on behalf of ARY LTIP Trustee. ARY LTIP Trustee is a wholly owned subsidiary of ARYZTA, formed for the purpose of holding shares subject to the ARYZTA LTIP. ARY LTIP Trustee holds all treasury shares, pending satisfaction of the applicable terms of the ARYZTA LTIP.

At the Annual General Meeting on 1 December 2011, the shareholders approved the resolution to abolish Article 4 of the Articles of Association, which previously established conditional share capital for Employee Benefit Plans.

Furthermore, the shareholders also approved the resolution to modify Article 5 of the Articles of Association (governing Authorised Share Capital for General Purposes). Pursuant to these modifications, the Board of Directors was authorised to increase the share capital at any time until 30 November 2013 by an amount not exceeding CHF 255,134.38 through the issue of up to 12,756,719 fully paid-up registered shares with a nominal value of CHF 0.02 each. The Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:

- (1) acquisition of enterprises or parts thereof or participations therein, new investments or the financing of any of those transactions (maximum of 8,504,479 fully paid-up registered shares),
- (2) broadening the shareholder constituency (maximum of 4,252,239 fully paid-up registered shares), or
- (3) for the purpose of the participation of employees (maximum of 2,551,343 fully paid-up registered shares).

On 16 January 2012, the issued shares were increased to 91,810,534 by the issue of 4,252,239 registered shares at CHF 41.00 per share. As part of the issuance of these shares, the Board also approved the resolution to modify Article 5 of the Articles of Association to remove item (2) above. Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 30 November 2013 by an amount not exceeding CHF 170,089.58 through the issue of up to 8,504,480 fully paid-up registered shares.

These increases in share capital in November 2011 and January 2012 resulted in proceeds of €140,854,000, net of associated share registration, stamp duty and issuance costs.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Treasury shares of CHF 0.02 each – authorised, called up and fully paid	2013 '000	2013 in EUR '000	2012 '000	2012 in EUR '000
At 1 August	3,773	57	2,234	30
Creation and issue of shares to ARY LTIP Trustee	–	–	2,514	41
Release of treasury shares upon vesting and exercise of equity entitlements	(82)	(1)	(975)	(14)
At 31 July	3,691	56	3,773	57

On 23 September 2011, the Nomination and Remuneration Committee approved the vesting of all equity entitlements outstanding under the ARYZTA Matching Plan LTIP, as all performance conditions associated with those awards were met as of 31 July 2011. As the share subscription price associated with these equity entitlements was paid by plan participants to ARY LTIP Trustee at the inception of the plan, in accordance with the terms of the plan, upon approval of vesting the associated shares were issued to plan participants out of shares previously held in treasury by ARY LTIP Trustee. The share price at the time of the exercise was CHF 39.05 per share.

On 20 September 2012, the Nomination and Remuneration Committee approved the vesting of the 1,135,000 outstanding Option Plan awards granted in FY 2010, as all performance conditions associated with those awards were met as of 31 July 2012. Of these vested awards, 370,000 were exercised during the year in exchange for 81,915 shares issued out of shares previously held in treasury by ARY LTIP Trustee. The weighted average share price at the time of these exercises was CHF 47.83 per share.

Other equity reserve

In April 2013, the Group raised CHF 400,000,000 through the issuance of a Perpetual Callable Subordinated Instrument ('Hybrid Instrument'), which has been recognised at a carrying value of €319,442,000 within equity, net of transaction costs of €4,865,000. This Hybrid Instrument offers a coupon of 4% and has no maturity date, with an initial call date by ARYZTA after five years from issuance. In the event that the call option is not exercised after five years, the coupon would be 605 bp plus the 3-month CHF LIBOR.

In October 2010, the Group raised CHF 400,000,000 through the issuance of a separate Hybrid Instrument, which was recognised at a carrying value of €285,004,000 within equity, net of transaction costs of €7,436,000. This Hybrid Instrument offers a coupon of 5% and has no maturity date, with an initial call date by ARYZTA after four years from issuance. In the event that the call option is not exercised after four years, the coupon would be 905 bp plus the 3-month CHF LIBOR.

Other equity reserve in EUR '000	2013	2012
At 1 August	285,004	285,004
Issuance of hybrid instrument, net of transaction cost	319,442	–
At 31 July	604,446	285,004

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2013 was €19,898,000 (2012: €16,642,000).

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Revaluation reserve

The revaluation reserve as of 31 July 2013 relates to surpluses arising on revaluations of land and buildings previously held as investment property. During the year, €1,993,000 was transferred from the revaluation reserve to retained earnings representing the fair value adjustments to investment properties.

Share-based payment reserve

This reserve comprises amounts credited to reserves in connection with equity awards, less the amount related to any such awards that become vested.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences since 1 August 2004, the date of the Group's transition to IFRS, arising from translation of the net assets of the Group's non-euro-denominated functional currency operations into euro, the Group's presentation currency.

Transaction with non-controlling interest

During March 2012, the Group entered into an agreement to acquire the remaining 40% interest in HiCoPain AG. Based on this agreement, the minority shareholder continues to participate in the risk and rewards of the business until the final exit date, which is expected to occur in 2016. At that time, consideration based on the net book value of HiCoPain AG will be paid to the minority shareholder.

Total estimated future consideration and related costs to be paid in connection with this transaction of CHF 17,349,000 (€14,412,000) have been recorded as a reduction in retained earnings of the Group, with a remaining estimated liability of €13,656,000 as of 31 July 2013 (2012: €13,446,000). Upon payment of the consideration and final exit of the minority shareholder, the carrying value of the related non-controlling interest will then be eliminated directly as an increase in retained earnings.

Capital management

The capital managed by the Group consists of the Group equity of €2,760,629,000 (2012: €2,509,355,000). The Group has set the following goals for the management of its capital:

- To maintain prudent net debt (as set out in note 21 of these Group consolidated financial statements) to EBITDA¹ and interest cover (EBITDA¹ to interest) ratios to support a prudent capital base and ensure a long-term sustainable business.
- To achieve a return for investors in excess of the Group's weighted average cost of capital.
- To apply a dividend policy which takes into account the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

As set out in note 21 of these Group consolidated financial statements, the Group operates two distinct debt funding structures.

- The Food Group net debt amounted to €849,228,000 at 31 July 2013 (2012: €976,283,000).
- The Group's listed subsidiary, Origin Enterprises plc, has separate funding structures, which are financed without recourse to ARYZTA AG. Origin net debt amounted to €29,559,000 at 31 July 2013 (2012: €67,808,000).

¹ Calculated based on the Food Group EBITDA for the year ended 31 July 2013 of €500.4m, which is then adjusted by the dividend received from Origin of €14.3m and for the pro forma full-year contribution of Food Group acquisitions.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The Food Group employs four ratio targets to monitor equity and its financing covenants:

- The Food Group's net debt to EBITDA¹ ratio is below 3.5 times – the ratio was 1.57 times at 31 July 2013 (2012: 2.05 times).
- The Food Group's interest cover (EBITDA¹ to interest) is above 4 times – the ratio was 9.37 times at 31 July 2013 (2012: 8.10 times).
- The Food Group's minimum equity shall not be below €1,000,000,000 at any time – the equity at 31 July 2013 was €2,537,088,000 (2012: €2,317,810,000).
- The Food Group's minimum equity ratio (equity/consolidated assets) shall amount to at least 35% at any time – the ratio was 51% at 31 July 2013 (2012: 49%).

These ratios are reported to the Board of Directors at regular intervals through internal financial reporting.

The proposed payout ratio to shareholders for the Group's financial year to 31 July 2013 is 15% of fully diluted underlying earnings per share. The payout will be in the form of a dividend. The payout ratio and form of payout proposed by the Board will be reviewed on an annual basis and is subject to the decision of the Annual General Meeting of the shareholders.

27 Non-controlling interests

in EUR `000	2013	2012
Balance at 1 August	86,225	72,410
Share of profit for the year	26,377	16,290
Share of loss recognised in other comprehensive income	(7,111)	(2,039)
Dividends paid to non-controlling interests	(8,935)	(6,437)
Portion of share-based payment charge	395	193
Dilution of equity shareholders interest in Origin due to vesting of Origin management equity entitlements	659	5,808
Balance at 31 July	97,610	86,225

Transactions with non-controlling interests

As detailed in note 8, during April 2012, a total of 5,003,238 Origin management equity entitlements were converted, on a one for one basis, into ordinary shares of Origin. During March 2013, an additional 480,345 Origin management equity entitlements were converted, on a one for one basis, into ordinary shares of Origin.

While ARYZTA continues to hold the same number of ordinary shares of Origin, due to the issuance of these additional Origin ordinary shares to third parties, ARYZTA's ownership interest was diluted from 71.4% as of 1 August 2012 to 68.8% as of 31 July 2012 and to 68.6% as of 31 July 2013. As a result of these dilutions, the Group has recorded a reduction in the individual equity balances within the Group's total shareholders' equity in the amount of €659,000 (2012: €5,808,000) and allocated these balances as an increase in non-controlling interests.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

28 Commitments

28.1 Commitments under operating leases

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

in EUR `000	2013	2012
Operating lease commitments payable:		
Within one year	48,454	52,746
In two to five years	122,564	131,081
After more than five years	103,202	93,832
	274,220	277,659

28.2 Capital commitments

Capital expenditure contracted for at the end of the reporting period, but not yet incurred, is as follows:

in EUR `000	2013	2012
Property, plant and equipment	60,209	50,331
Intangible assets	6,504	8,573
Total	66,713	58,904

28.3 Other commitments

The bank and private placements borrowings of the Food Group share security via a security assignment agreement. In addition to this, the private placement borrowings of the Food Group are secured by guarantees from ARYZTA AG and upstream guarantees from various companies within the Food Group.

The Group's 68.6% subsidiary Origin Enterprises plc has also given guarantees to secure the obligations of its subsidiary undertakings on all sums due in respect of bank loans and advances within the Origin Group.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

29 Business combinations

29.1 Acquisitions in financial year 2013

During the year, the Group completed the acquisition of Klemme AG, as well as three other smaller acquisitions, by acquiring all outstanding shares of these individual entities. The details of the net assets acquired and goodwill arising from these business combinations are set out below and the entity information of any significant new subsidiaries is included in note 35. The goodwill arising on these business combinations is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR `000	Klemme	Other	Provisional fair values
Provisional fair value of net assets acquired:			
Property, plant and equipment	119,307	19,940	139,247
Intangible assets	99,182	24,645	123,827
Inventory	15,367	2,427	17,794
Trade and other receivables	42,659	3,984	46,643
Trade and other payables	(43,183)	(14,913)	(58,096)
Other non-current payables	–	(22,225)	(22,225)
Deferred tax	(29,308)	(1,756)	(31,064)
Deferred income from government grants	(17,842)	–	(17,842)
Income tax payable	(4,742)	(2,199)	(6,941)
Net assets acquired	181,440	9,903	191,343
Goodwill arising on acquisitions	110,059	23,028	133,087
Consideration	291,499	32,931	324,430
Satisfied by:			
Cash consideration	282,834	31,008	313,842
Cash acquired	(1,335)	(898)	(2,233)
Net cash consideration	281,499	30,110	311,609
Contingent consideration	10,000	2,821	12,821
Total consideration	291,499	32,931	324,430

The net cash outflow on these acquisitions during the year is disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR `000	Total
Cash flows from investing activities	
Cash consideration	313,842
Cash acquired	(2,233)
Cost of acquisitions	311,609

Costs of €5,490,000 related to the acquisitions were charged to the net acquisition, disposal, and restructuring-related costs and fair value adjustments in the Group Consolidated Income Statement during the year ended 31 July 2013.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

The impact of these business combinations during the year on the Group Consolidated Income Statement is set out in the following table:

in EUR '000	Total
Revenue	153,634
Profit for the year	5,938

If these acquisitions had occurred on 1 August 2012, management estimates that the consolidated revenue would have been €4,653,291,000 and profit for the year would have been €174,754,000. In making this determination, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisitions had occurred on 1 August 2012.

For the identification and estimation of the fair value of the intangibles acquired as part of these acquisitions, ARYZTA was assisted by a non-audit independent appraisal firm. The identified intangibles acquired primarily related to customer relationships, which were valued using the income approach method.

The fair values presented in this note are based on provisional valuations, due to the complexity of the transactions.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

29.2 Acquisitions in financial year 2012

During the prior year, the Group completed multiple small acquisitions by acquiring all outstanding shares of those individual entities. The details of the combined net assets acquired and goodwill arising from these various business combinations are set out below. The goodwill arising on these business combinations is attributable to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing businesses.

in EUR `000	Final fair values
Final fair value of net assets acquired:	
Property, plant and equipment	19,040
Intangible assets	45,785
Inventory	2,637
Trade and other receivables	11,766
Trade and other payables	(15,329)
Debt acquired	(5,957)
Finance leases	(2,971)
Deferred tax	(12,466)
Deferred income from government grants	(842)
Income tax payable	(721)
Net assets acquired	40,942
Goodwill arising on acquisitions	51,613
Consideration	92,555
Satisfied by:	
Cash consideration	96,105
Cash acquired	(3,795)
Net cash consideration	92,310
Contingent consideration	245
Total consideration	92,555

The net cash outflow on acquisitions during the prior year was disclosed in the Group Consolidated Cash Flow Statement as follows:

in EUR `000	Total
Cash flows from investing activities	
Cash consideration	96,105
Cash acquired	(3,795)
	92,310
Cash flows from financing activities	
Debt acquired, including finance leases	8,928
Cost of acquisitions (including net debt acquired)	101,238

Costs of €3,255,000 related to the above acquisitions were charged to net acquisition, disposal and restructuring-related costs and fair value adjustments in the Group Consolidated Income Statement during the year ended 31 July 2012.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

For the identification and estimation of the fair value of the intangibles acquired as part of these acquisitions, ARYZTA was assisted by independent non-audit appraisal firms. The identified intangibles acquired include customer relationships and unpatented technology, which were valued using the income approach method.

30 Contingent liabilities

The Group is subject to litigation risks and legal claims that arise in the ordinary course of business, for which the outcomes are not yet known. These claims are not currently expected to give rise to any material significant future cost or contingencies.

31 Related party transactions

In the normal course of business, the Group undertakes transactions with its associates, joint ventures and other related parties. A summary of transactions with these related parties, which relate primarily to transactions with associates and joint ventures during the year, is as follows:

in EUR `000	2013	2012
Sale of goods	165,581	102,788
Purchase of goods	(145,325)	(132,076)
Provision of services	755	1,383
Receiving of services	(3,016)	(3,324)

The trading balances owing to the Group from related parties were €2,591,000 (2012: €1,709,000) and the trading balances owing from the Group to these related parties were €1,204,000 (2012: €1,567,000). Non-current other receivables on the Group Consolidated Balance Sheet comprises €39,433,000 (2012: €37,223,000) in relation to a vendor loan note made to Valeo, an associate undertaking. The coupon rate on the vendor loan note is 5% compounding. Unless previously repaid, redeemed or repurchased, the vendor loan note will be repaid in full on 26 November 2020.

Compensation of key management

For the purposes of the disclosure requirements of IAS 24, Related Party Disclosures, the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and the Group Executive Management which manages the business and affairs of the Group.

A summary of the compensation to key management is as follows:

in EUR `000	2013	2012
Short-term employee benefits	3,086	3,147
Post employment benefits	325	382
Performance-related bonus	1,325	1,562
Long-term incentives (LTIP)	3,466	3,799
Total key management compensation	8,202	8,890

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in note 10 of the ARYZTA AG Company financial statements.

32 Post balance sheet events – after 31 July 2013

As of 26 September 2013, the date of approval of the Group consolidated financial statements by the Board of Directors, there have been no material significant events that would require adjustment or disclosure within the Group consolidated financial statements.

33 Risk assessment required by Swiss law

The Board and senior management of ARYZTA continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks and mitigating controls are evaluated. These processes are driven by local management of the business, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a consolidated Risk Map denoting potential frequency, severity and velocity of identified risks, is reviewed by the ARYZTA Board of Directors on an annual basis. Risks identified and associated mitigating controls are also subject to audit, as part of operational, financial and health and safety audit programmes.

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

34 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group consolidated financial statements are described below:

Note	Name
Note 8	Share-based payments
Note 13	Investment properties
Note 14	Goodwill and intangible assets
Note 22	Financial instruments and financial risk
Notes 9 & 24	Income tax expense and deferred tax
Note 25	Employee benefits

The Group has share-based incentive grants outstanding under various incentive plans. Estimating the value of these grants, and the period over which this value will be recognised as an expense, requires various management estimates and assumptions, as set out in note 8.

Investment property, principally comprised of land and buildings, is stated at fair value. The associated fair value is based on estimates of the market value of the underlying property, being the estimated amount for which a property could be exchanged in arm's length transaction, as set out in note 13.

Impairment testing of assets, particularly of goodwill, involves estimating the future cash flows for a cash-generating unit and an appropriate discount rate, in order to determine an estimated recoverable value, as set out in note 14.

Income tax expense and deferred taxes are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences as set out in note 24. These deferred taxes are based on forecasts of the corresponding entity's taxable income and reversal of these temporary differences, forecasted over a period of several years. As actual results may differ from these forecasts, these deferred taxes may need to be adjusted accordingly.

The estimation of employee benefit costs requires the use of actuaries and the determination of appropriate assumptions such as the discount rate, average life expectancy, expected long term rates of return on plan assets and other assumptions, as set out in note 25.

Notes to the Group Consolidated Financial Statements (continued)

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35 Significant subsidiaries

A list of all of the Group's significant subsidiary undertakings as at 31 July 2013 and 2012 is provided in the table below. For the purposes of this note, a significant subsidiary is one that has third-party revenues equal to, or in excess of, 1% of total Group revenue and/or consolidated Group assets equal to, or in excess of 1% of total Group assets. A significant associate or joint venture is one in which the Group's Share of profits, after tax is equal to, or in excess of, 1% of total Group operating profit.

Name	Nature of business	Currency	Share capital millions	Group % share 2013	Group % share 2012	Registered office
(a) Food subsidiaries – Ireland						
Cuisine de France	Food manufacturing and distribution	EUR	0.063	100	100	1
Cuisine de France (Manufacturing)	Food manufacturing	EUR	0.889	100	100	1
ARYZTA Technology Ireland	Asset holding company	EUR	0.0002	100	100	1
(b) Food subsidiaries – United Kingdom						
Delice de France Limited	Food manufacturing and distribution	GBP	0.250	100	100	2
Honeytop Speciality Foods Limited	Food manufacturing and distribution	GBP	0.610	100	100	3
(c) Food subsidiaries – Mainland Europe						
France Distribution SAS	Food distribution	EUR	0.108	100	100	4
Fresca SAS	Food distribution	EUR	0.830	100	98.3	5
Klemme AG	Bread manufacturing and food distribution	EUR	3.072	100	–	6
Hiestand Schweiz AG	Bread manufacturing and food distribution	CHF	3.500	100	100	7
HiCoPain AG	Food manufacturing	CHF	20.000	60	60	8
Fricopan GmbH	Food distribution	EUR	0.025	100	100	9
Hiestand & Suhr Handels und Logistik GmbH	Food distribution	EUR	0.025	100	100	10
(d) Food subsidiaries – North America						
ARYZTA LLC	Baked good manufacturing and distribution	USD	0.00001	100	100	11
ARYZTA Canada Co.	Baked good manufacturing and distribution	CAD	113.400	100	100	12
(e) Food subsidiaries – Rest of World						
ARYZTA Australia Pty Limited (formerly Fresh Start Bakeries Australia Pty Limited)	Baked good manufacturing and distribution	AUD	17.000	100	100	13
Fresh Start Bakeries Industrial LTDA	Baked good manufacturing and distribution	BRL	10.643	100	100	14
(f) Origin subsidiaries – Ireland						
Origin Enterprises plc	Holding company	EUR	1.385	68.6	68.8	15
Goulding Chemicals Limited	Fertiliser blending and distribution	EUR	6.349	68.6	68.8	15
(g) Origin subsidiaries – United Kingdom						
Origin UK Operations Limited (formerly Origin Fertilisers UK Limited)	Fertiliser blending and distribution	GBP	0.550	68.6	68.8	16
R & H Hall Trading Limited	Grain and feed trading	GBP	2.000	68.6	68.8	17
Masstock Group Holdings Limited	Specialist agronomy services	GBP	0.010	68.6	68.8	18
United Agri Products Limited	Specialist agronomy products and services	GBP	0.0009	68.6	68.8	18
Rigby Taylor Limited	Turf management services	GBP	0.122	68.6	68.8	16
(h) Origin subsidiaries – Mainland Europe						
Dalgety Agra Polska	Specialist agronomy products and services	PLN	6.320	68.6	68.8	19
(i) Origin associates and joint venture						
Welcon Invest AS	Fish processing	NOK	12.000	–	34.4	20
BHH Limited	Provender millers	GBP	5.020	34.3	34.4	21
Valeo Foods Group Limited	Food distribution	EUR	0.780	22.0	22.1	22
R&H Hall	Grain and feed trading	EUR	6.105	34.3	34.4	23

Notes to the Group Consolidated Financial Statements (continued)

for the year ended 31 July 2013

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. Honeytop House, Verey Road, Woodside Industrial Estate, Dunstable, LU5 4TT, England.
4. ZAC de Bel Air, 14 – 16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
5. 29 Rue Hélène Boucher, Zone d'activités La Butte au Berger, 91380, Chilly-Mazarin, France.
6. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
7. Ifangstrasse 9–11, 8952 Schlieren-Zurich, Switzerland.
8. Industriepark, 6252 Dagmersellen, Switzerland.
9. Nobelstrasse 66, 12057 Berlin, Germany.
10. Auf der Haid 1, 79235 Vogtsburg, Germany.
11. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
12. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
13. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
14. Rua Amador Bueno, 942, Santo Amaro, São Paulo – SP, 04752-005, Brazil.
15. 151 Thomas Street, Dublin 8, Ireland.
16. Orchard Road, Royston, Hertfordshire SG8 5HW, England.
17. 4A Campsie Real Estate, McLean Road, Derry, BT47 3PF, Northern Ireland.
18. Andoversford, Cheltenham, Gloucestershire, GL54 4LZ, England.
19. Ul. Heleny Szafran 6, 60-693 Poznan, Poland.
20. 6718 Deknepollen, Norway.
21. 35/39 York Road, Belfast BT15 3GW, Northern Ireland.
22. Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG.
23. La Touche House, Custom House Dock, IFSC, Dublin 1, Ireland.

The country of registration is also the principal location of activities in each case.

Report of the Statutory Auditor on the Group Consolidated Financial Statements to the General Meeting



As statutory auditor, we have audited the accompanying Group consolidated financial statements of ARYZTA AG, which comprise the Group Consolidated Income Statement, Group Consolidated Statement of Comprehensive Income, Group Consolidated Balance Sheet, Group Consolidated Statement of Changes in Equity, Group Consolidated Cash Flow Statement, Group Statement of Accounting Policies and notes on pages 60 to 140, for the year ended 31 July 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the Group consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the Group consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Group consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Group consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Group consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Group consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Group consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Group consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the Statutory Auditor on the Group Consolidated Financial Statements to the General Meeting (continued)

Opinion

In our opinion, the Group consolidated financial statements for the year ended 31 July 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of the Group consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the Group consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit Expert
Auditor in Charge



Cornelia Ritz Bossicard
Audit Expert

Zurich, 26 September 2013

Company Income Statement

for the year ended 31 July 2013

in CHF '000	2013	2012
Income		
Revenues from licences and management fees from Group companies	35,553	37,228
Financial income from Group companies	42,430	36,758
Dividend income from Group companies	71,921	129,795
Total income	149,904	203,781
Expenses		
Depreciation and amortisation	(21,468)	(49,699)
Personnel expenses	(2,998)	(3,373)
Financial expenses	(50,026)	(48,097)
Other operating expenses to Group companies	(16,893)	(11,648)
Other operating expenses	(29,549)	(27,112)
Total expenses	(120,934)	(139,929)
Profit before income tax expense	28,970	63,852
Income tax expense	(2,858)	(538)
Profit for the year	26,112	63,314

Company Balance Sheet

as at 31 July 2013

in CHF '000	2013	2012
Assets		
Non-current assets		
Property, plant and equipment	2,729	2,295
Intangible assets	–	21,088
Financial assets		
– investments in Group companies	1,493,685	1,493,585
– loans to Group companies	1,742,325	1,263,748
Total non-current assets	3,238,739	2,780,716
Current assets		
Cash and cash equivalents	7,442	6,143
Other receivables		
– from third parties	307	2,783
– from Group companies	4,821	1,387
Total current assets	12,570	10,313
Total assets	3,251,309	2,791,029

Company Balance Sheet (continued)

as at 31 July 2013

in CHF '000	2013	2012
Equity		
Called up share capital	1,836	1,836
Legal reserves from capital contribution	1,242,760	1,297,860
Legal reserves for own shares from capital contribution	139,359	142,113
Other legal reserves	3,881	–
Unrestricted reserves	2,150	2,150
Retained earnings	24,312	(1,800)
Total equity	1,414,298	1,442,159
Liabilities		
Non-current liabilities		
Liabilities from Group companies	278,522	278,522
Interest-bearing loans and borrowings	1,231,642	820,750
Total non-current liabilities	1,510,164	1,099,272
Current liabilities		
Trade accounts payable	2,395	2,139
Accrued expenses	34,990	24,545
Interest-bearing loans and borrowings	280,723	214,712
Other accounts payable		
– to third parties	610	335
– to Group companies	8,129	7,867
Total current liabilities	326,847	249,598
Total liabilities	1,837,011	1,348,870
Total equity and liabilities	3,251,309	2,791,029

Notes to the Company Financial Statements

1 Basis of presentation

The Company's accounting period runs for the year from 1 August 2012 to 31 July 2013. Certain amounts in the Company's 31 July 2012 financial statements and related notes have been reclassified or adjusted to conform to the 31 July 2013 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on profit for the year, total assets, total liabilities or equity as previously reported.

2 Loans, guarantees and pledges in favour of third parties

The Company has the following outstanding bonds, which are included within interest bearing loans and borrowings.

	2013 in CHF '000	2012 in CHF '000	Interest Rate	Maturity
Swiss Bond	200,000	200,000	3.25%	March 2015
Hybrid Instrument 2010	400,000	400,000	5.00%	No specified maturity date
Hybrid Instrument 2013	400,000	–	4.00%	No specified maturity date

The Company is party to cross guarantees on ARYZTA AG Food Group (ARYZTA AG excluding Origin) borrowings. The Company has also guaranteed the liabilities of subsidiaries within the ARYZTA Food Group. The Company treats these guarantees as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

3 Fire insurance value of property, plant and equipment

	2013 in CHF '000	2012 in CHF '000
Fire insurance value of property, plant and equipment	3,500	3,500

4 Details of investments

The Company holds direct investments in the following entities, all of which are intermediate holding companies or intercompany financing entities within the ARYZTA AG Group.

Company, domicile	Share capital millions		Percentage	
	2013	2012	2013	2012
ARYZTA Holdings Asia Pacific BV (NL)	EUR 0.020	0.020	100	100
ARYZTA Holdings Germany AG (CH)	CHF 0.100	–	100	–
ARYZTA Holdings Ireland Limited (JE)	EUR –	–	100	100
ARYZTA Finance II AG (CH)	EUR 0.087	0.087	100	100
Hiestand Beteiligungsholding GmbH & Co. KG (DE) ¹	EUR 0.026	0.026	100	100
ARYZTA Food Europe AG (CH)	CHF 6.450	6.450	100	100
Summerbake GmbH (DE)	EUR 0.025	0.025	100	100

¹ The amount disclosed represents limited liability capital.

Notes to the Company Financial Statements (continued)

5 Share capital

<i>Shares of CHF 0.02 each – authorised, issued and fully paid</i>	Year ended 31 July 2013 `000	Year ended 31 July 2013 in CHF'000	Year ended 31 July 2012 `000	Year ended 31 July 2012 in CHF'000
As at 1 August	91,811	1,836	85,045	1,701
Issued during the period	–	–	6,766	135
As at 31 July	91,811	1,836	91,811	1,836

<i>Shares of CHF 0.02 each</i>	Year ended 31 July 2013 `000	Year ended 31 July 2013 in CHF'000	Year ended 31 July 2012 `000	Year ended 31 July 2012 in CHF'000
Conditional capital	–	–	–	–
Authorised capital	8,504	170	8,504	170

On 22 November 2011, the issued shares were increased to 87,558,295 registered shares by the issue of 2,513,500 registered shares with a nominal value of CHF 0.02 each, pursuant to a share subscription on behalf of ARY LTIP Trustee. ARY LTIP Trustee is a wholly owned subsidiary of ARYZTA, formed for the purpose of holding shares subject to the ARYZTA LTIP. ARY LTIP Trustee holds all treasury shares, pending satisfaction of the applicable terms of the ARYZTA LTIP.

At the Annual General Meeting on 1 December 2011, the shareholders approved the resolution to abolish Article 4 of the Articles of Association, which previously established conditional share capital for Employee Benefit Plans.

Furthermore, the shareholders also approved the resolution to modify Article 5 of the Articles of Association (governing Authorised Share Capital for General Purposes). Pursuant to these modifications, the Board of Directors was authorised to increase the share capital at any time until 30 November 2013 by an amount not exceeding CHF 255,134.38 through the issue of up to 12,756,719 fully paid-up registered shares with a nominal value of CHF 0.02 each. The Board of Directors was authorised to exclude the subscription rights of the shareholders and to allocate them to third parties if the shares are used for the following purposes:

- (1) acquisition of enterprises or parts thereof or participations therein, new investments or the financing of any of those transactions (maximum of 8,504,479 fully paid-up registered shares),
- (2) broadening the shareholder constituency (maximum of 4,252,239 fully paid-up registered shares), or
- (3) for the purpose of the participation of employees (maximum of 2,551,343 fully paid-up registered shares).

On 16 January 2012, the issued shares were increased to 91,810,534 by the issue of 4,252,239 registered shares at CHF 41.00 per share. As part of the issuance of these shares, the Board also approved the resolution to modify Article 5 of the Articles of Association to remove item (2) above. Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 30 November 2013 by an amount not exceeding CHF 170,089.60 through the issue of up to 8,504,480 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Notes to the Company Financial Statements (continued)

The share capital of the Company at 31 July 2013 amounts to CHF 1,836,210.68, and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share. Of these 91,810,534 shares, 88,119,590 are outstanding and 3,690,944 are classified as treasury shares.

Shareholders are entitled to dividends as declared. The ARYZTA shares rank *pari passu* in all respects with each other.

6 Treasury shares owned by the Company or one of its subsidiaries

	Year ended 31 July 2013 `000	Year ended 31 July 2013 in CHF'000	Year ended 31 July 2012 `000	Year ended 31 July 2012 in CHF'000
As at 1 August	3,773	142,113	2,234	75,167
Release of treasury shares upon vesting and exercise of LTIP shares	(82)	(2,754)	(975)	(32,790)
Issue of shares to ARY LTIP Trustee	-	-	2,514	99,736
As at 31 July	3,691	139,359	3,773	142,113

On 23 September 2011, the Nomination and Remuneration Committee approved the vesting of all equity entitlements outstanding under the ARYZTA Matching Plan LTIP, as all performance conditions associated with those awards were met as of 31 July 2011. As the share subscription price associated with these equity entitlements was paid by plan participants to ARY LTIP Trustee at the inception of the plan, in accordance with the terms of the plan, upon approval of vesting the associated shares were issued to plan participants out of shares previously held in treasury by ARY LTIP Trustee.

On 22 November 2011 the issued shares were increased by the issue of 2,513,500 registered shares with nominal value of CHF 0.02 each, pursuant to a share subscription on behalf of ARY LTIP Trustee, as discussed in note 5 above.

On 20 September 2012, the Nomination and Remuneration Committee approved the vesting of the 1,135,000 outstanding Option Plan awards granted in FY 2010, as all performance conditions associated with those awards were met as of 31 July 2012. Of these vested awards, 370,000 were exercised during the year in exchange for 81,915 shares issued out of shares previously held in treasury by ARY LTIP Trustee. The weighted average share price at the time of these exercises was CHF 47.83 per share.

7 Risk assessment

ARYZTA AG, Zurich, as the ultimate parent company of the ARYZTA Group, is fully integrated into the Group-wide internal risk assessment process.

The Board and senior management of ARYZTA continue to invest significant time and resources in identifying specific risks across the Group, and in developing and maintaining a culture of balanced risk minimisation. The Group has formal risk assessment processes in place through which risks and mitigating controls are evaluated. These processes are driven by local management, who are best placed to identify the significant ongoing and emerging risks facing the business. The outputs of these risk assessment processes are subject to various levels of review by Group management and Internal Audit, and a

Notes to the Company Financial Statements (continued)

consolidated Risk Map denoting potential frequency, severity and velocity of identified risks are reviewed by the ARYZTA Board of Directors on an annual basis. Risks identified and associated mitigating controls are also subject to audit as part of operational, financial and health and safety audit programmes.

8 Participations

As at 31 July 2013, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares 2013	Number of shares % 2013	Number of shares 2012	Number of shares % 2012
ARY LTIP Trustee (treasury shares)	3,690,944	4.02%	3,772,859	4.11%
MassMutual	2,799,110	3.05%	Less than 3%	
Invesco Limited	Less than 3%		4,373,010	4.76%
Fidelity Management and Research LLC	Less than 3%		2,785,897	3.03%

Any significant shareholder notifications during the year and since 31 July 2013 are available on the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.aspx

9 Pension fund liability

The pension fund liability was CHF 78,104 at 31 July 2013 (2012: CHF 117,177).

10 Compensation disclosure

Compensation process

The Nomination and Remuneration Committee of the Board (the 'NRC') is responsible for determining the remuneration of executive and non-executive members of the Board and for approving the remuneration of other members of senior management upon the recommendation of the CEO.

Executives are remunerated in line with the level of their authority and responsibility within the Group, with the various elements of the remuneration package for Executive Management being reviewed annually by the NRC. The NRC reports to the Board at the next Board meeting following each meeting of the NRC. The CEO attends meetings of the NRC by invitation only.

Executive Management basic salary and benefits

The basic salary of Executive Management is reviewed annually by the NRC with regard to personal performance and corporate goals (as set out in Part 1 of the Compensation Report). When reviewing Executive Managements' basic salary, the applicable weighting of each component is at the discretion of the NRC. Employment-related benefits consist principally of a car allowance and pension. Pension benefits are determined solely in relation to basic salary.

Notes to the Company Financial Statements (continued)

Executive Management short-term performance-related bonus

For financial year 2013, the short-term performance-related bonus for Executive Management was determined primarily by reference to incremental gains in Food Group Underlying ROIC (as set out in Part 1 of the Compensation Report).

In order to compare ROIC on a like-for-like basis, the Food Group Underlying ROIC is also calculated. The measurement indicator is based on the assets of the Food Group business that existed as of 31 July 2011, using currency rates consistent with 2011, excluding net assets and historical EBITA levels of acquisitions completed after 1 August 2011 and adding back asset impairments (unless recovered once the assets are disposed).

Subject to a minimum incremental increase in Underlying ROIC of 50bps being achieved during the year, Executive Management and other senior executives throughout the Group receive a percentage of their set target bonus based on the corresponding gain in Food Group Underlying ROIC. The short-term performance-related bonus for executive management is capped at 100% of basic salary.

For the year ended 31 July 2013, the Food Group Underlying ROIC was 12.1%. This represents an increase of 80 bps during the year, compared to the Food Group Underlying ROIC of 11.3% for the year ended 31 July 2012. A 110 bps improvement in Underlying ROI was also realised during 2012, when compared to the 2011 Reported ROIC of 10.2%, which serves as the baseline for the Underlying ROI calculation.

Executive Management long-term incentives (LTIP)

As set out in the Compensation Report on pages 44 to 51 of this report, the long-term incentive remuneration of Executive Management consists of both Matching Plan and Option Equivalent Plan awards.

Participants with Matching Plan awards have the prospect of receiving a multiple (ranging from one to three times) of the number of Qualifying Investment Shares held for the purposes of the Matching Plan. This multiple is determined on a fractional pro-rata basis ranging from one to three, based on compound annual underlying fully diluted EPS growth between 10.0% and 15.0%. In the event of the minimum 10% growth target not being achieved, no awards vest. The satisfaction of additional criteria is also required, including compliance with the condition that Food Group reported ROIC must have exceeded the Food Group WACC throughout the performance period and the additional condition regarding maintenance of the ARYZTA dividend policy.

Vesting of awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis. The satisfaction of additional criteria is also required including compliance with the condition that Food Group Reported ROIC must have exceeded the Food Group WACC throughout the performance period and the additional condition regarding maintenance of the ARYZTA dividend policy.

See note 8 of the Group Financial Statements (page 89) for the total cost recognised in the Group Financial Statements for share-based payments in the financial year 2013.

Notes to the Company Financial Statements (continued)

Compensation to members of the Board of Directors

Non-executive board members are paid a yearly fee (CHF 88,000), which reflects the time commitment and responsibilities of the role. Additional compensation for non-executive directors is payable for service on a Board Committee (CHF 8,000) and for the Chair thereof (CHF 16,000). Executive directors do not receive additional compensation for their role as a board member. The NRC determines, at its discretion, the level of these yearly fees and additional compensation paid to each executive and non-executive Board member. Non-executive Board members are not eligible for performance-related payments and do not participate in the LTIP.

The following table reflects the direct payments received by board members during the years ended 31 July 2013 and 2012. Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

in CHF `000	Direct payments year ended 31 July 2013	Direct payments year ended 31 July 2012
Denis Lucey	323	323
Charles Adair	96	88
Denis Buckley ²	N/A	32
Hugh Cooney ²	96	64
J Brian Davy	105	107
Shaun B. Higgins ²	105	70
Owen Killian	–	88
Patrick McEniff	–	88
Götz-Michael Müller ²	96	64
William Murphy ¹	35	101
Hans Sigrist ¹	32	91
Dr J Maurice Zufferey ²	N/A	32
Wolfgang Werlé ¹	62	N/A
Total	950	1,148

1 Effective 11 December 2012 H. Sigrist and W. Murphy resigned from the Board and W. Werlé was elected to the Board.

2 Effective 1 December 2011 D. Buckley and M. Zufferey resigned from the Board and S. Higgins, H. Cooney and G. Müller were elected to the Board.

Compensation to members of the Executive Management

in CHF `000	Total Executive Management 2013	Owen Killian 2013	Total Executive Management 2012	Owen Killian 2012
Basic salaries	2,645	1,277	2,641	1,277
Benefits in kind	171	83	170	83
Pension contributions	397	192	460	191
Performance-related bonus	1,617	780	1,879	908
Long-term incentives (LTIP)	4,230	2,007	4,569	2,219
Total compensation paid to members of ARYZTA Executive Management	9,060	4,339	9,719	4,678

Notes to the Company Financial Statements (continued)

As per page 37 of the Corporate Governance Report, for the financial year 2013, Group Executive Management consists of Owen Killian (CEO), Patrick McEniff (CFO and COO) and Pat Morrissey (General Counsel, Company Secretary and CAO).

The highest total compensation in the reporting period was received by Owen Killian, and his total remuneration is disclosed separately in the preceding table.

The compensation to members of Executive Management disclosed includes compensation for their roles as members of the Board of ARYZTA and, in the case of Owen Killian, Patrick McEniff and Pat Morrissey, for their service as officers of Origin Enterprises plc (respectively, Chairman, non-executive Director and Company Secretary).

No severance and/or termination payments were made to any member of Executive Management during the financial years 2013 or 2012.

Directors' and Executive Management's share interests

The Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings. Beneficial interests at 31 July were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2013	No. of shares 2012
Denis Lucey	4,250	1,250
Charles Adair	2,000	1,000
Hugh Cooney	4,000	2,915
J Brian Davy	58,186	58,186
Shaun B. Higgins	1,000	500
Owen Killian	823,731	823,731
Patrick McEniff	500,006	500,006
Götz-Michael Müller	500	–
William Murphy ¹	N/A	8,160
Hans Sigrist ¹	N/A	14,000
Wolfgang Werlé ¹	2,336	N/A
General Counsel, Company Secretary & CAO		
Pat Morrissey	130,251	130,251
Total	1,526,260	1,539,999

¹ Effective 11 December 2012 W. Murphy and H. Sigrist resigned from the Board and W. Werlé was elected to the Board.

There have been no changes in the interests as shown above between 31 July 2013 and 26 September 2013. Details of the interests of Owen Killian, Patrick McEniff, and Pat Morrissey in share entitlements under the Matching Plan and Share Option Equivalent Plan are set out on the next page.

No loans or advances were made to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2013 (2012: none).

Notes to the Company Financial Statements (continued)

Directors' and Executive Management's interests in equity instruments

Executive Management Matching Plan Allocation

	Maximum share allocation carried forward 1 August 2012	Exercised during financial year	Granted during financial year	Closing position 31 July 2013
Directors				
Owen Killian	150,000	–	–	150,000
Patrick McEniff	120,000	–	–	120,000
General Counsel, Company Secretary & CAO				
Pat Morrissey	60,000	–	–	60,000
Total	330,000	–	–	330,000

Executive Management Option Equivalent Plan Allocation

	Options carried forward 1 August 2012 ¹	Exercised during financial year ¹	Granted during financial year	Closing position 31 July 2013
Directors				
Owen Killian	750,000	–	–	750,000
Patrick McEniff	610,000	–	–	610,000
General Counsel, Company Secretary & CAO				
Pat Morrissey	200,000	(100,000)	–	100,000
Total	1,560,000	(100,000)	–	1,460,000

¹ The Group's compound annual growth in underlying fully diluted EPS for the three consecutive accounting periods ended 31 July 2012 was 12.9%, which exceeded the growth in the Euro-zone Core Consumer Price Index over the same period of 1.3%, plus 5%. Accordingly, the performance conditions associated with the Option Plan awards outstanding as of 1 August 2011 were met during FY 2012. As a result, 765,000 Option Plan awards (550,000 of which are held by Executive Management) are vested and eligible to be exercised. The exercise price of all Option Plan awards, for which the vesting conditions have been met, is CHF 37.23.

Company Appropriation of Available Earnings

Appropriation of available earnings

The Board of Directors will propose to the Annual General Meeting of Shareholders the following appropriation of earnings:

in CHF `000	2013	2012
Balance of unrestricted reserves and retained earnings carried forward	350	(62,964)
Transfer from other legal reserves to retained earnings	3,881	–
Net profit for the year	26,112	63,314
Closing balance of unrestricted reserves and retained earnings	30,343	350
Dividend payment from unrestricted reserves and retained earnings	–	–
Balance of unrestricted reserves and retained earnings to be carried forward as retained earnings¹	30,343	350
Proposed release and distribution of legal reserves from capital contribution in the amount of ²	58,617	53,923

1 Transfer from unrestricted reserves to retained earnings of CHF 2,150,000.

2 Proposed release and distribution of legal reserves from capital contribution represents an estimated amount. This will be adjusted to take account of actual currency translation rates at the date of payment and of any new shares entitled to dividend which are issued subsequent to 31 July and prior to dividend ex-date.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of ARYZTA AG



As statutory auditor, we have audited the accompanying financial statements of ARYZTA AG (the "Company"), which comprise the Company Income Statement, Company Balance Sheet and notes on pages 143 to 153, for the year ended 31 July 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 July 2013 comply with Swiss law and the Company's Articles of Association.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of ARYZTA AG (continued)

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit Expert
Auditor in Charge



Cornelia Ritz Bossicard
Audit Expert

Zurich, 26 September 2013