Annual Report and Accounts 2016

Group Consolidated and Company Financial Statements 2016

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Statement of Directors' Responsibilities
for the year ended 31 July 2016

Company law requires the directors to prepare Group consolidated and Company financial statements for each financial year. 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:

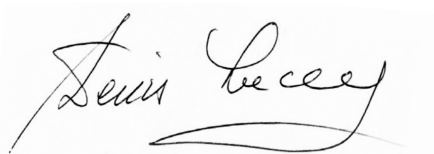
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

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

They are also responsible for taking such steps as are reasonably available 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

22 September 2016

Group Consolidated Income Statement
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Continuing Operations			
Revenue	1	**3,878,871**	3,820,231
Cost of sales		**(2,654,228)**	(2,709,763)
Distribution expenses		**(414,410)**	(407,658)
Gross profit		**810,233**	702,810
Selling expenses		**(188,656)**	(167,646)
Administration expenses		**(410,065)**	(469,171)
Operating profit	1	**211,512**	65,993
Share of profit/(loss) after tax of joint ventures	15	**11,716**	(1,520)
Profit before financing income, financing costs and income tax expense		**223,228**	64,473
Financing income	4	**3,526**	2,137
Financing costs	4	**(106,706)**	(85,527)
Profit/(loss) before income tax		**120,048**	(18,917)
Income tax (expense)/credit	9	**(4,543)**	18,950
Profit for the year from continuing operations		**115,505**	33
Discontinued operations			
(Loss)/profit for the year from discontinued operations	2	**(45,721)**	532,246
Profit for the year		**69,784**	532,279
Attributable as follows:			
Equity shareholders – continuing operations		**112,729**	(4,636)
Equity shareholders – discontinued operations		**(45,721)**	529,396
Equity shareholders – total		**67,008**	524,760
Non-controlling interests – continuing operations		**2,776**	4,669
Non-controlling interests – discontinued operations		**–**	2,850
Non-controlling interests – total	27	**2,776**	7,519
Profit for the year		**69,784**	532,279

Basic earnings per share	Notes	**2016 euro cent**	2015 euro cent
From continuing operations	11	**91.1**	(39.8)
From discontinued operations	11	**(51.5)**	597.1
		39.6	557.3

Diluted earnings per share	Notes	**2016 euro cent**	2015 euro cent
From continuing operations	11	**90.9**	(39.8)
From discontinued operations	11	**(51.4)**	597.1
		39.5	557.3

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Profit for the year		**69,784**	532,279
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign currency net investments		**(49,548)**	370,741
– Foreign currency borrowings	21	**36,027**	(359,872)
– Taxation effect of foreign exchange translation movements	9	**198**	5,265
– Foreign exchange translation effects related to discontinued operations		**–**	9,286
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**5,747**	(12,391)
– Fair value of cash flow hedges transferred to income statement		**(7,380)**	4,936
– Deferred tax effect of cash flow hedges	9	**376**	599
– Cash flow hedges gain related to discontinued operations, net of tax		**–**	3,352
Share of joint ventures' other comprehensive income	15	**304**	–
Total of items that may be reclassified subsequently to profit or loss		**(14,276)**	21,916
Items that will not be reclassified to profit or loss:			
Defined benefit plans			
– Actuarial loss on Group defined benefit pension plans	25	**(462)**	(6,882)
– Deferred tax effect of actuarial loss/(gain)	9	**(23)**	1,216
– Discontinued operations loss on defined benefit plans, net of tax		**–**	(17,789)
Total of items that will not be reclassified to profit or loss		**(485)**	(23,455)
Total other comprehensive loss		**(14,761)**	(1,539)
Total comprehensive income for the year		**55,023**	530,740
Attributable as follows:			
Equity shareholders		**53,757**	522,888
Non-controlling interests	27	**1,266**	7,852
Total comprehensive income for the year		**55,023**	530,740

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 31 July 2016

in EUR `000	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	12	**1,594,885**	1,543,263
Investment properties	13	**24,787**	25,916
Goodwill and intangible assets	14	**3,617,194**	3,797,269
Investments in joint ventures	15	**491,446**	32,067
Receivables from joint ventures	17	**3,956**	28,644
Deferred income tax assets	24	**133,176**	105,579
Total non-current assets		**5,865,444**	5,532,738
Current assets			
Inventory	16	**248,719**	259,855
Trade and other receivables	17	**168,595**	264,036
Derivative financial instruments	22	**669**	653
Cash and cash equivalents	20	**647,724**	316,867
Total current assets		**1,065,707**	841,411
Associate held-for-sale	2	**–**	270,870
Total assets		**6,931,151**	6,645,019

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 31 July 2016

in EUR `000	Notes	2016	2015
Equity			
Called up share capital	26	**1,172**	1,172
Share premium		**774,040**	774,040
Retained earnings and other reserves		**2,397,460**	2,428,295
Total equity attributable to equity shareholders		**3,172,672**	3,203,507
Non-controlling interests	27	**15,099**	18,436
Total equity		**3,187,771**	3,221,943
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	**1,963,709**	1,937,176
Employee benefits	25	**13,470**	15,274
Deferred income from government grants	23	**23,945**	16,998
Other payables	18	**37,678**	51,917
Deferred income tax liabilities	24	**457,634**	447,118
Derivative financial instruments	22	**4,618**	5,401
Total non-current liabilities		**2,501,054**	2,473,884
Current liabilities			
Interest-bearing loans and borrowings	21	**403,632**	104,794
Trade and other payables	18	**778,621**	742,560
Income tax payable		**49,118**	45,813
Derivative financial instruments	22	**9,939**	7,365
Contingent consideration	19	**1,016**	48,660
Total current liabilities		**1,242,326**	949,192
Total liabilities		**3,743,380**	3,423,076
Total equity and liabilities		**6,931,151**	6,645,019

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the year ended 31 July 2016

31 July 2016 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency trans-lation reserve	Retained earnings	Total share-holders equity	Non-controlling interests	Total
At 1 August 2015	**1,172**	**774,040**	**(47)**	**720,456**	**(10,264)**	**–**	**(5,153)**	**1,723,303**	**3,203,507**	**18,436**	**3,221,943**
Profit for the year	–	–	–	–	–	–	–	67,008	67,008	2,776	69,784
Other comprehensive (loss)/income	–	–	–	–	(1,257)	–	(12,961)	967	(13,251)	(1,510)	(14,761)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(1,257)**	**–**	**(12,961)**	**67,975**	**53,757**	**1,266**	**55,023**
Equity dividends (note 10)	–	–	–	–	–	–	–	(52,710)	(52,710)	–	(52,710)
Dividends to non-controlling interests (note 27)	–	–	–	–	–	–	–	–	–	(4,603)	(4,603)
Dividends accrued on perpetual callable subordinated instruments (note 26)	–	–	–	–	–	–	–	(31,882)	(31,882)	–	(31,882)
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,592)**	**(84,592)**	**(4,603)**	**(89,195)**
At 31 July 2016	**1,172**	**774,040**	**(47)**	**720,456**	**(11,521)**	**–**	**(18,114)**	**1,706,686**	**3,172,672**	**15,099**	**3,187,771**

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the year ended 31 July 2016

31 July 2015 in EUR `000	Share capital	Share premium	Treasury shares	Other equity reserve	Cash flow hedge reserve	Revaluation reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total shareholders equity	Non-controlling interests	Total
At 1 August 2014	**1,172**	**773,735**	**(55)**	**604,446**	**(3,616)**	**13,322**	**19,454**	**(29,045)**	**1,324,292**	**2,703,705**	**87,752**	**2,791,457**
Profit for the year	–	–	–	–	–	–	–	–	524,760	524,760	7,519	532,279
Other comprehensive (loss)/income	–	–	–	–	(4,571)	–	–	20,487	(17,788)	(1,872)	333	(1,539)
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(4,571)**	**–**	**–**	**20,487**	**506,972**	**522,888**	**7,852**	**530,740**
Issue of perpetual callable subordinated instruments	–	–	–	401,014	–	–	–	–	–	401,014	–	401,014
Redemption of perpetual callable subordinated instrument	–	–	–	(285,004)	–	–	–	–	(46,676)	(331,680)	–	(331,680)
Release of treasury shares due to exercise of LTIP	–	305	8	–	–	–	–	–	–	313	–	313
Share-based payments	–	–	–	–	–	–	1,705	–	–	1,705	–	1,705
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	–	(19,919)	–	19,919	–	–	–
Equity dividends	–	–	–	–	–	–	–	–	(65,034)	(65,034)	–	(65,034)
Dividends to non-controlling interests (note 27)	–	–	–	–	–	–	–	–	–	–	(12,307)	(12,307)
Dividend accrued on perpetual callable subordinated instrument (note 26)	–	–	–	–	–	–	–	–	(30,673)	(30,673)	–	(30,673)
Total contributions by and distributions to owners	**–**	**305**	**8**	**116,010**	**–**	**–**	**(18,214)**	**–**	**(122,464)**	**(24,355)**	**(12,307)**	**(36,662)**
Disposal of Origin	–	–	–	–	(2,077)	(13,322)	(1,240)	3,405	14,562	1,328	(64,727)	(63,399)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(59)	(59)	(134)	(193)
Total transactions with owners recognised directly in equity	**–**	**305**	**8**	**116,010**	**(2,077)**	**(13,322)**	**(19,454)**	**3,405**	**(107,961)**	**(23,086)**	**(77,168)**	**(100,254)**
At 31 July 2015	**1,172**	**774,040**	**(47)**	**720,456**	**(10,264)**	**–**	**–**	**(5,153)**	**1,723,303**	**3,203,507**	**18,436**	**3,221,943**

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Cash flows from operating activities			
Profit for the year from continuing operations		**115,505**	33
Income tax expense/(credit)	9	**4,543**	(18,950)
Financing income	4	**(3,526)**	(2,137)
Financing costs	4	**106,706**	85,527
Share of (profit)/loss after tax of joint ventures	15	**(11,716)**	1,520
Net (gain)/loss on disposal of businesses	3	**(993)**	45,685
Asset write-downs	3	**14,787**	146,289
Other restructuring-related payments less than / (in excess of) current year costs		**1,618**	(14,650)
Depreciation of property, plant and equipment	1	**112,030**	114,519
Amortisation of intangible assets	1	**188,984**	177,809
Recognition of deferred income from government grants	23	**(3,098)**	(4,107)
Share-based payments	8	**–**	1,705
Other		**(4,332)**	(2,437)
Cash flows from operating activities before changes in working capital		**520,508**	530,806
Increase in inventory		**(16,223)**	(25,627)
Decrease in trade and other receivables		**80,902**	67,594
Increase/(decrease) in trade and other payables		**30,165**	(1,209)
Cash generated from operating activities		**615,352**	571,564
Interest paid		**(98,934)**	(88,831)
Interest received		**3,331**	1,666
Income tax paid		**(18,369)**	(30,782)
Net cash flows from operating activities – continuing operations		**501,380**	453,617
Net cash flows from operating activities – discontinued operations		**–**	(171,068)
Net cash flows from operating activities		**501,380**	282,549

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the year ended 31 July 2016

in EUR `000	Notes	2016	2015
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,030**	1,120
Purchase of property, plant and equipment			
– maintenance capital expenditure		**(81,034)**	(80,725)
– investment capital expenditure		**(102,985)**	(269,290)
Grants received	23	**10,045**	193
Investment in joint venture	15	**(450,732)**	–
Acquisition of businesses, net of cash acquired	29	**(26,447)**	(148,530)
Proceeds from disposal of Origin, net of cash disposed	2	**225,101**	372,975
Disposal of businesses, net of cash disposed	3	**42,060**	22,642
Purchase of intangible assets		**(29,916)**	(60,122)
Net receipts from joint ventures		**21,509**	–
Contingent consideration paid	19	**(46,916)**	(9,240)
Investing cash flows from discontinued operations		**–**	(4,224)
Net cash flows from investing activities		**(438,285)**	(175,201)
Cash flows from financing activities			
Issue of perpetual callable subordinated instrument	26	**–**	401,014
Repayment of perpetual callable subordinated instrument	26	**–**	(331,680)
Gross drawdown of loan capital	21	**290,887**	–
Gross repayment of loan capital	21	**(43,903)**	(337,668)
Capital element of finance lease liabilities	21	**(26)**	(60)
Dividends paid on perpetual callable subordinated instruments		**(31,788)**	(39,107)
Repurchase of non-controlling interests		**–**	(193)
Dividends paid to non-controlling interests	27	**(4,603)**	(4,330)
Dividends paid to equity shareholders		**(52,710)**	(65,034)
Financing cash flows from discontinued operations		**–**	79,485
Net cash flows from financing activities		**157,857**	(297,573)
Net increase in cash and cash equivalents		**220,952**	(190,225)
Translation adjustment		**(12)**	(549)
Net cash and cash equivalents at start of year		**248,033**	438,807
Net cash and cash equivalents at end of year	20	**468,973**	248,033

The notes on pages 75 to 142 are an integral part of these Group consolidated financial statements.

Group Statement of Accounting Policies
for the year ended 31 July 2016

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Zurich, Switzerland. The consolidated financial statements for the year ended 31 July 2016 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group'), and show the Group's interest in joint ventures using the equity method of accounting.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were preliminarily authorised for issue by the directors on 22 September 2016. Final approval of these financial statements was granted by the directors on 30 September 2016, subject to approval by the shareholders at the General Meeting on 13 December 2016.

Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the requirements of Swiss law. These policies have been consistently applied to all years presented, unless otherwise stated.

In the preparation of these Group consolidated financial statements, the Group has applied all standards that were required for accounting periods beginning on or before 1 August 2015. There are no new standards and interpretations issued by the IASB or the IFRS Interpretations Committee, which are effective for the first time in the current financial year.

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 any of them.

Standard/Interpretation	Effective date	Planned implementation by ARYZTA (reporting year to 31 July)
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	2017
Amendments to IAS 1 – Disclosure initiative	1 January 2016	2017
Improvements to IFRSs (2012-2014)	1 January 2016	2017
Amendments to IAS 7 – Disclosure initiative	1 January 2017	2018
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018
IFRS 9 – Financial Instruments	1 January 2018	2019
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	2019
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	2019
IFRS 16 – Leases	1 January 2019	2020

The Group has undertaken an initial assessment of the potential impact of the new standards, amendments and improvements listed above that become effective during the year ending 31 July 2017. 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Basis of preparation

The Group consolidated financial statements are prepared on a historical cost basis, except that assets held-for-sale, investment properties, derivative financial instruments and certain financial liabilities are stated at fair value through profit or loss or other comprehensive income.

The Group 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 is set out in note 34.

Income statement presentation

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size or nature of these items, in order to enable comparability of the Group's underlying results from period to period, these items have been presented as separate components of operating profit within note 3 and have been excluded from the calculation of underlying net profit in note 11.

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 5.

Reclassifications and adjustments

Following the reduction in the Group's ownership interest in Origin Enterprises plc ('Origin') from 68.1% to 29.0% in March 2015, and the classification of the remaining investment in Origin as an associate held-for-sale, the corresponding amounts included in the 31 July 2015 Group Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement related to Origin have been presented as a single Discontinued Operations amount within these statements and the related notes, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

Certain other amounts in the 31 July 2015 Group consolidated financial statement notes have been reclassified or adjusted to conform to the 31 July 2016 presentation. These other 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.

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 control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount, plus proceeds received, recognised in profit or loss. The fair value of the retained interest is then utilised as the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. 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.

Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, with the Group's investment including goodwill identified on acquisition.

Joint arrangements

Under IFRS 11, 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them all to be joint ventures. Joint ventures are accounted for using the equity method of accounting, with the Group's investment including goodwill identified on acquisition.

Equity method

Under the equity method, investments are initially recognised at cost, with the carrying amount increased or decreased thereafter to recognise the Group's share of the profits or losses and movements in other comprehensive income after the date of the acquisition.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

When the Group's share of losses equals or exceeds its interest in the associate or joint venture, which includes any interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation to do so.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements, only to the extent of the unrelated investor's interests. Unrealised losses are eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

If the ownership interest 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, where appropriate. Dilution gains and losses arising on investments in associates or joint ventures are recognised in the income statement.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to share of profit after tax of associates or joint ventures in the income statement.

Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

Non-current assets held for sale
Non-current assets are classified as assets held for sale or related to discontinuing operations when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value, less costs to sell.

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 and services supplied to third parties, after deducting trade discounts and volume rebates, and is exclusive of sales 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 accrual basis, taking into consideration the sums lent and the actual interest rate applied.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2016

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 continuing operations of the Group are primarily organised into three operating segments, ARYZTA Europe, ARYZTA North America, ARYZTA Rest of World. The Group's principal geographies are Europe, North America and Rest of World.

Origin was consolidated up until the placing of 49 million shares in March 2015, which reduced ARYZTA's holding from 68.1% to 29.0%. Thereafter, Origin was accounted for as an associate held-for-sale, until the remaining holding of 29.0% was disposed in September 2015.

ARYZTA Europe has leading market positions in the European speciality bakery market. In Europe, ARYZTA has a mixture of business-to-business and consumer brands and a diversified customer base within the foodservice, large retail and convenience or independent retail channels.

ARYZTA 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 and a diversified customer base within the QSR, large retail and other foodservice channels.

ARYZTA Rest of World consists of businesses in Australia, Asia, New Zealand and South America, primarily partnering with international QSR and other foodservice customers.

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 joint ventures, current and deferred income tax assets and liabilities, together with financial assets and liabilities and associate held-for-sale. Share of results of joint ventures, net finance costs and income tax are managed on a centralised basis. Therefore, these items are not allocated between operating segments for the purpose of presenting information to the Chief Operating Decision Maker.

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 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 defined benefit calculations are performed by a qualified actuary using the projected unit credit method on an annual basis. Re-measurement gains and losses arising

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly 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. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, and is recognised in financing costs/income in the income statement.

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 the Black-Scholes valuation 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 tax expense
Income tax expense 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

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

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.

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 converted 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 converted to the relevant functional currency using the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on conversion into the local functional currency 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 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 2016

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

Currency	Average 2016	Average 2015	% Change	Closing 2016	Closing 2015	% Change
CHF	1.0905	1.1191	2.5%	1.0855	1.0635	(2.1)%
USD	1.1106	1.1799	5.9%	1.1162	1.1109	(0.5)%
CAD	1.4748	1.4009	(5.3)%	1.4562	1.4446	(0.8)%
GBP	0.7602	0.7547	(0.7)%	0.8399	0.7091	(18.4)%

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 historical 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 20	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.

Investment properties
Investment property, principally comprised of land and buildings, is held for capital appreciation and 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

Group Statement of Accounting Policies (continued) for the year ended 31 July 2016

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 fair value of any non-controlling interest in the acquiree.

The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

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.

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.

Group Statement of Accounting Policies (continued) for the year ended 31 July 2016

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. Directly attributable costs that are capitalised as part of the ERP and computer-related intangibles include the employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

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 amortisation and impairment losses. Other development expenditure is recognised in the income statement as an expense as incurred.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, generally as follows:

Customer relationships	5 to 25 years
Brands	10 to 25 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	12 years
Patents and other	3 to 15 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite life 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

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 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 for impairment annually, during the last quarter of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment.

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 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 on 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

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. 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 other 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.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

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.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

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.

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 associated expenditure.

Group Statement of Accounting Policies
(continued)
for the year ended 31 July 2016

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, which do not result in a loss of control, 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 in the carrying value of the 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 then 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.

Notes to the Group Consolidated Financial Statements
for the year ended 31 July 2016

1 Segment information

1.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment revenue[1]	**1,747,045**	1,646,635	**1,908,147**	1,942,342	**223,679**	231,254	**3,878,871**	3,820,231
Operating profit/(loss)[2]	**70,443**	(40,881)	**124,954**	96,077	**16,115**	10,797	**211,512**	65,993
Share of profit/(loss) after tax of joint ventures							**11,716**	(1,520)
Financing income[3]							**3,526**	2,137
Financing costs[3]							**(106,706)**	(85,527)
Profit/(loss) before income tax expense as reported in Group Consolidated Income Statement							**120,048**	(18,917)

1 Revenues from external customers attributed to the Group's country of domicile, Switzerland, are 7.0% (2015: 6.8%) of total Group revenues. Revenues from external customers attributed to material foreign countries are United States 40.0% (2015: 40.2%), Germany 15.0% (2015: 15.1%) and Canada 9.2% (2015: 10.6%). For the purposes of this analysis, customer revenues are allocated based on the geographic location of the 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. There were no significant intercompany revenues between business segments.

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

3 Joint ventures, finance income/(costs) and income tax expense are managed on a centralised basis. 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 2016

II) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**2,411,081**	2,513,401	**2,967,117**	3,107,704	**275,982**	269,234	**5,654,180**	5,890,339

Reconciliation to total assets as reported in the Group Consolidated Balance Sheet	**2016**	2015
Investments in joint ventures and related financial assets	**495,402**	60,711
Associate held-for-sale	–	270,870
Derivative financial instruments	**669**	653
Cash and cash equivalents	**647,724**	316,867
Deferred income tax assets	**133,176**	105,579
Total assets as reported in Group Consolidated Balance Sheet	**6,931,151**	6,645,019

III) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment liabilities	**508,256**	550,965	**479,005**	505,284	**78,104**	65,276	**1,065,365**	1,121,525

Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet	**2016**	2015
Interest-bearing loans and borrowings	**2,367,341**	2,041,970
Derivative financial instruments	**14,557**	12,766
Current and deferred income tax liabilities	**296,117**	246,815
Total liabilities as reported in Group Consolidated Balance Sheet	**3,743,380**	3,423,076

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

IV) Other segment information	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Depreciation	**50,143**	57,368	**53,276**	47,547	**8,611**	9,604	**112,030**	114,519
ERP amortisation	**9,179**	5,330	**3,564**	4,457	**–**	–	**12,743**	9,787
Amortisation of other intangible assets	**78,192**	82,550	**90,114**	79,101	**7,935**	6,371	**176,241**	168,022
Capital expenditure								
– Property, plant and equipment	**108,420**	180,113	**64,976**	153,204	**10,916**	10,963	**184,312**	344,280
– Intangibles	**14,273**	39,577	**16,364**	21,328	**65**	316	**30,702**	61,221
Total capital expenditure	**122,693**	219,690	**81,340**	174,532	**10,981**	11,279	**215,014**	405,501

1.2 Segmental non-current assets

	Europe		North America		Rest of World		Total Continuing Operations	
in EUR `000	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
IFRS 8 non-current assets[1]	**2,750,410**	2,343,064	**2,737,659**	2,837,326	**244,199**	246,769	**5,732,268**	5,427,159

1 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 and derivative financial instruments. Non-current assets attributed to the Group’s country of domicile, Switzerland, are 5.9% of total Group non-current assets (2015: 6.6%). Non-current assets attributed to material foreign countries are: United States 35.9% (2015: 39.3%), Germany 13.9% (2015: 14.1%) and Canada 11.8% (2015: 12.9%).

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

2 Discontinued operations

During March 2015, ARYZTA announced the completion of its offering of 49 million ordinary shares of Origin for €8.25 per share, which raised net proceeds for ARYZTA of €398,108,000. At the time of the placing, the deemed fair value of the Group's remaining 29.0% interest in Origin was also valued at €8.25 per share, resulting in a value of €299,329,000. As the total deemed consideration exceeded the Group's €145,678,000 share of the disposed net assets and cash balances of Origin, the Group recognised a gain on disposal of discontinued operations of €551,759,000.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', as Origin previously represented a significant component and separately reported segment of the Group, Origin's results have been separately presented in the Group Financial Statements as Discontinued Operations, in both the current and prior years.

A calculation of the March 2015 gain on disposal is shown below:

in EUR `000	Origin
Net assets of discontinued operation disposed	
Property, plant and equipment (note 12)	96,394
Investment properties (note 13)	7,575
Goodwill and intangible assets (note 14)	160,495
Investment in associates and joint venture (note 15)	62,370
Inventory	220,157
Trade and other receivables	396,520
Trade and other payables	(458,284)
Interest bearing loans and borrowings	(248,774)
Derivative financial liabilities, net	(748)
Employee benefits (note 25)	(24,240)
Deferred income tax liabilities	(10,355)
Income tax payable	(17,166)
Total net assets disposed	183,944
Other comprehensive income recycled on disposal of discontinued operations	1,328
Non-controlling interests disposed as part of discontinued operations (note 27)	(64,727)
ARYZTA's share of Origin net assets disposed	**120,545**
Consideration	
Cash received, net of transaction costs	398,108
Net cash disposed	(25,133)
Cash received, net of cash disposed	372,975
Fair value of retained 29% interest	299,329
Total consideration	**672,304**
Gain on disposal of discontinued operations	551,759
Fair value adjustment to associate held-for-sale	(28,459)
Net gain on disposal of discontinued operations	**523,300**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Following the March 2015 placing, the Group's remaining 29.0% interest in Origin was determined to be an associate held-for-sale, recorded at fair value, less costs to sell. Based on the unadjusted quoted price of €7.62 as of 31 July 2015, less estimated costs to sell, a fair value adjustment of €28,459,000 was recorded during the prior year to reduce the carrying value to €270,870,000 as of 31 July 2015, resulting in a total net gain in relation to the disposal of Origin of €523,300,000 during the year ended 31 July 2015.

During September 2015, ARYZTA announced the completion of its offering of its remaining 36.3 million ordinary shares of Origin for €6.30 per share, which raised net proceeds for ARYZTA of €225,101,000. As the fair value of the 29.0% investment in associate held-for-sale at 31 July 2015 was €270,870,000, this resulted in a net loss on disposal in the current year of €45,769,000. This divestment simplifies the reporting structure and transforms ARYZTA into a business fully focused on speciality food.

Analysis of the result of discontinued operations in both years, including the loss recognised on the disposal of the associate held-for-sale, is as follows:

in EUR `000	**2016**	2015
Revenue	–	829,518
Cost of sales	–	(719,381)
Distribution expenses	–	(18,196)
Gross profit	–	91,941
Selling expenses	–	(32,124)
Administration expenses	–	(52,572)
Operating profit	–	7,245
Share of profit after tax of associates and joint ventures	–	6,026
Profit before financing income, financing costs and income tax expense	–	13,271
Financing income	–	1,951
Financing costs	–	(5,542)
Profit before income tax	–	9,680
Income tax expense	–	(734)
Profit after tax from discontinued operations	–	8,946
Gain on disposal of discontinued operations	–	551,759
Fair value adjustment to associate held-for-sale	–	(28,459)
Underlying contribution associate held-for-sale	**48**	–
Cash received, net of transaction costs	**225,101**	–
Carrying value of 29% interest disposed	**(270,870)**	–
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246
Attributable as follows:		
Equity shareholders – discontinued operations	**(45,721)**	529,396
Non-controlling interests – discontinued operations	–	2,850
(Loss)/profit for the year from discontinued operations	**(45,721)**	532,246

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

3 Net acquisition, disposal and restructuring-related costs

In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense.

Management has also identified certain acquisition, disposal and restructuring-related costs within each functional area that do not relate to the underlying business of the Group. Due to the relative size and nature of these items, they have been presented as separate components of operating profit below, in order to enable comparability of the Group's underlying results and performance from period to period, and have been excluded from the calculation of underlying net profit in note 11.

in EUR `000	IFRS Income Statement 2016	Net acquisition, disposal, restructuring-related costs 2016	Intangible amortisation 2016	Financial Business Review 2016	IFRS Income Statement 2015	Net acquisition, disposal, restructuring-related costs 2015	Intangible amortisation 2015	Financial Business Review 2015
Revenue	**3,878,871**	–	–	**3,878,871**	**3,820,231**	–	–	**3,820,231**
Cost of sales	**(2,654,228)**	32,484	–	**(2,621,744)**	**(2,709,763)**	129,974	–	**(2,579,789)**
Distribution expenses	**(414,410)**	3,983	–	**(410,427)**	**(407,658)**	7,706	–	**(399,952)**
Gross profit	**810,233**	36,467	–	**846,700**	**702,810**	137,680	–	**840,490**
Selling expenses	**(188,656)**	5,040	–	**(183,616)**	**(167,646)**	5,545	–	**(162,101)**
Administration expenses	**(410,065)**	55,607	176,241	**(178,217)**	**(469,171)**	136,725	168,022	**(164,424)**
Operating profit of continuing operations	**211,512**	97,114	176,241	**484,867**	**65,993**	279,950	168,022	**513,965**
Joint Ventures	**11,716**	804	3,162	**15,682**	**(1,520)**	–	310	**(1,210)**
Profit of continuing operations before financing income, financing costs and income tax expense	**223,228**	97,918	179,403	**500,549**	**64,473**	279,950	168,332	**512,755**

in EUR `000	Notes	ARYZTA Europe 2016	ARYZTA Europe 2015	ARYZTA North America 2016	ARYZTA North America 2015	ARYZTA Rest of World 2016	ARYZTA Rest of World 2015	Total Continuing Operations 2016	Total Continuing Operations 2015
Net gain/(loss) on disposal of businesses	3.1	**(4,987)**	(45,685)	**5,980**	–	**–**	–	**993**	(45,685)
Asset write-downs	3.2	**(5,040)**	(72,395)	**(9,747)**	(68,544)	**–**	(5,350)	**(14,787)**	(146,289)
Total net gain/(loss) on disposal of businesses and asset write-downs		**(10,027)**	(118,080)	**(3,767)**	(68,544)	**–**	(5,350)	**(13,794)**	(191,974)
Acquisition-related costs		**(2,330)**	(9,467)	**–**	(515)	**–**	–	**(2,330)**	(9,982)
Severance and other staff-related costs		**(48,314)**	(28,367)	**(15,614)**	(18,916)	**(1,519)**	(1,359)	**(65,447)**	(48,642)
Contractual obligations		**(1,402)**	(586)	**(5,305)**	(1,285)	**(31)**	(216)	**(6,738)**	(2,087)
Advisory and other costs		**(5,069)**	(13,862)	**(3,538)**	(10,670)	**(198)**	(2,733)	**(8,805)**	(27,265)
Total acquisition and restructuring-related costs	3.3	**(57,115)**	(52,282)	**(24,457)**	(31,386)	**(1,748)**	(4,308)	**(83,320)**	(87,976)
Total acquisition, disposal and restructuring-related costs		**(67,142)**	(170,362)	**(28,224)**	(99,930)	**(1,748)**	(9,658)	**(97,114)**	(279,950)

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

As these non-cash gains and losses are added back to net assets, and the cash costs are deducted from EBITA, when calculating ROIC for management compensation purposes, these items had no impact on management compensation during the year ended 31 July 2016.

3.1 Net gain/(loss) on disposal of businesses

During the year, the Group disposed of two businesses, which historically generated approximately €100,000,000 in total annual revenues. As the €42,060,000 proceeds received, net of associated transaction costs, exceeded the €41,067,000 carrying value of the net assets disposed (including €20,573,000 of goodwill), a net gain on disposal of €993,000 has been reflected in the financial statements during the year ended 31 July 2016.

During January 2015, the Group agreed to exchange certain assets, which historically generated approximately €100,000,000 in annual revenues, for a 50% interest in Signature Flatbreads. As the €53,106,000 total fair value of the Group's 50% interest and the Vendor Loan Note receivable from the joint venture, were less than the €66,659,000 carrying value of the net assets exchanged and related costs incurred, the transaction resulted in a loss on disposal in the amount of €13,789,000, including foreign exchange losses of €236,000.

During April 2015, the Group agreed to sell its 100% interest in Carroll Cuisine, which historically generated approximately €45,000,000 in annual revenues, for cash consideration of €37,276,000. As the proceeds received exceeded the €12,970,000 carrying value of the net assets disposed and associated costs incurred, the transaction resulted in a gain on disposal of €24,306,000.

As a result of the two disposals above, the Group also wrote-off a proportionate amount of goodwill within the UK and Ireland Cash Generating Unit in the amount of €56,202,000. The total of the above transactions and the associated write-down of Goodwill resulted in a net loss on disposal of businesses within continuing operations of €45,685,000 during the year ended 31 July 2015.

3.2 Asset write-downs

The Group incurred €14,787,000 (2015: €146,289,000) of asset write-downs during the year, primarily related to the write-down of various distribution, manufacturing, and administration assets within the ARYZTA Europe and ARYZTA North America segments. These asset write-downs arise following the closure of and/or reduction in activities in these locations. The reductions are the direct result of the Group's recent integration and rationalisation programme investments, which have replaced obsolete assets, optimised the distribution network and streamlined administrative functions.

3.3 Acquisition and restructuring-related costs

During the year ended 2016, the Group completed its joint venture investment in Picard (note 15), as well as a bolt-on acquisition in Ireland (note 29). During the years ended 2016 and 2015, progress continued on integrating recent acquisitions and aligning the operational processes of those businesses to the Group's existing network.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

As a result of these investments, 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:

Acquisition-related costs
During the year ended 31 July 2016, the Group incurred acquisition-related costs such as share purchase tax, due diligence and other professional services fees totalling €2,330,000 (2015: €9,982,000). These costs primarily related to activities associated with the Group's acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers in Ireland. It also includes the finalisation of the Group's joint venture interest investment in Picard.

The costs incurred during the year ended 31 July 2015 primarily related to activities associated with the Group's various acquisitions, as well as the Group's investments in the Picard and Signature joint ventures.

Severance and other staff-related costs
The Group incurred and provided for €65,447,000 (2015: €48,642,000) in severance and other staff-related costs during the year. These related primarily to costs associated with employees whose service was discontinued following certain rationalisation decisions across the various business locations of the Group, primarily in Europe.

Contractual obligations
The operational decisions made as a result of the Group's integration and rationalisation projects triggered early termination penalties and resulted in certain long-term operational contracts becoming onerous. The Group incurred total costs of €6,738,000 (2015: €2,087,000) during the year to either exit or provide for such onerous contractual obligations.

Advisory costs and other costs
During the year ended 31 July 2016, the Group incurred €8,805,000 (2015: €27,265,000) in advisory and other costs related directly to the rationalisation of certain bakery assets, integration of the supply chain and distribution functions of recently acquired businesses into the Group's network, and costs associated with centralisation of certain functions.

4 Financing income and costs

in EUR `000	2016	2015
Total financing income recognised in Group Consolidated Income Statement	**3,526**	2,137
Financing costs		
Interest cost on bank loans and overdrafts	**(106,475)**	(85,433)
Interest cost under finance leases	**(98)**	(13)
Defined benefit plan: net interest cost on plan liabilities (note 25)	**(133)**	(81)
Total financing costs recognised in Group Consolidated Income Statement	**(106,706)**	(85,527)
Recognised directly in other comprehensive income		
Effective portion of changes in fair value of interest rate swaps[1]	**615**	(6,042)

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

5 Other information

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

in EUR `000	2016	2015
Revenue	**3,878,871**	3,820,231
Raw materials and consumables used	**(1,809,609)**	(1,782,313)
Employment costs (note 7)	**(788,491)**	(752,818)
Distribution costs	**(209,841)**	(211,157)
Amortisation of intangible assets (note 1)	**(188,984)**	(177,809)
Depreciation of property, plant and equipment (note 1)	**(112,030)**	(114,519)
Light, heat and power	**(80,803)**	(83,241)
Storage, rent and rates	**(77,961)**	(72,073)
Operating lease rentals	**(69,122)**	(61,557)
Recognition of deferred income from government grants (note 23)	**3,098**	4,107
Net gain/(loss) on disposal of businesses (note 3)	**993**	(45,685)
Asset write-downs (note 3)	**(14,787)**	(146,289)
Acquisition-related costs (note 3)	**(2,330)**	(9,982)
Other restructuring-related costs (note 3)	**(15,543)**	(29,352)
Other direct and indirect costs	**(301,949)**	(271,550)
Operating profit from continuing operations	**211,512**	65,993

Group revenue categories

Group revenue relates primarily to sale of products.

6 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 49 to 56 for details on the compensation process and compensation for the year of Directors and Group Executive Management.

7 Employment

Average number of persons employed by the Group during the year

	2016	2015
Production	**14,668**	13,926
Sales and distribution	**3,627**	3,317
Management and administration	**1,562**	1,557
Average number of persons employed – continuing operations	**19,857**	18,800

Aggregate employment costs of the Group – continuing operations

in EUR `000	2016	2015
Wages and salaries	**634,844**	616,347
Social welfare costs	**71,819**	68,585
Severance and other staff related costs (note 3)	**65,447**	48,642
Defined contribution plans (note 25)	**13,202**	14,557
Defined benefit plans – current service cost (note 25)	**4,435**	3,618
Defined benefit plans – past service gain (note 25)	**(1,256)**	(636)
Share-based payments (note 8)	**–**	1,705
Employment costs – continuing operations	**788,491**	752,818

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

8 Share-based payments

The Group has outstanding grants of equity-based incentives under the ARYZTA Option Equivalent Plan LTIP. All grants under the ARYZTA Matching Plan LTIP outstanding as of 31 July 2014, were either exercised or forfeited during the year ended 31 July 2015.

The total cost reported in the Group consolidated financial statements in relation to equity settled share-based payments is Nil (2015: €1,705,000).

The analysis of movements within the LTIP plans is as follows:

8.1 ARYZTA Matching Plan LTIP

Matching Plan awards	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	–	–	0.02	723,000
Exercised during the year	–	–	0.02	(327,052)
Forfeited during the year	–	–	0.02	(395,948)
Outstanding at the end of the year	–	–	–	–
Vested at end of the year	–	–	–	–

The performance conditions associated with 327,052 Matching Plan awards (173,359 of which were held by Executive Management) were fulfilled during the year ended 31 July 2014 and these awards were exercised during the year ended 31 July 2015. As the performance criteria for the remaining awards outstanding under the Matching Plan were not met, they were forfeited, as they were no longer capable of vesting.

No new equity entitlements were awarded under the Matching Plan during the years ended 31 July 2016 or 31 July 2015.

8.2 ARYZTA Option Equivalent Plan LTIP

Option Equivalent Plan awards	Weighted conversion price 2016 in CHF	Number of equity entitlements 2016	Weighted conversion price 2015 in CHF	Number of equity entitlements 2015
Outstanding at beginning of the year	55.21	2,574,500	39.59	2,095,500
Granted during the year	44.58	2,624,500	81.00	980,000
Exercised during the year	–	–	40.57	(501,000)
Forfeited during the year	44.48	(315,500)	–	–
Outstanding at the end of the year	**50.19**	**4,883,500**	55.21	2,574,500
Vested at end of the year	**39.34**	**1,589,500**	39.36	1,594,500

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	**550,000**	**3.1**
Issued during financial year 2012	39.95	**962,500**	**5.2**
Issued during financial year 2013	46.70	**77,000**	**6.3**
Issued during financial year 2015	81.00	**980,000**	**8.2**
Issued during financial year 2016	44.62	**2,314,000**	**9.3**
As of 31 July 2016	50.19	**4,883,500**	**7.5**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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 (including the associated cost of any awards expected to vest) 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's reported ROIC over the expected performance period is not less than its weighted average cost of capital for awards granted before financial year 2016, and not less than 120% of its weighted average cost of capital for awards granted thereafter; 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 granted in the years before financial year 2015 can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date. Awards granted during financial year 2015, which meet the conditions for vesting after the initial three year performance period, are subject to additional conditions, including notably an additional two year holding period before they can be exercised.

The weighted average fair value assigned to share option equivalents granted under the ARYZTA Option Equivalent Plan LTIP during the year ended 31 July 2016 was CHF 6.80, 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 5.0 years, expected share price volatility of 23.11%, the weighted average exercise price of CHF 44.58 or €40.88, the expected dividend yield of 1.5% and the risk-free rate of (0.54)%.

No Option Equivalent Plan awards were exercised during the year ended 31 July 2016.

The weighted average exercise price of all 1,589,500 Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.34.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

9 Income tax expense

Income tax expense/(credit)

in EUR `000	2016	2015
Current tax charge	**22,657**	32,111
Deferred tax credit (note 24)	**(18,114)**	(51,061)
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Reconciliation of average effective tax rate to applicable tax rate

in EUR `000	2016	2015
Profit/(loss) before tax	**120,048**	(18,917)
Less share of (profit)/loss after tax of joint ventures	**(11,716)**	1,520
Profit/(loss) before tax and before share of (profit)/loss of JVs	**108,332**	(17,397)
Income tax on profit/(loss) for the year at 21.2% (2015: 21.2%)[1]	**22,966**	(3,688)
Expenses/(income) not deductible/(taxable) for tax purposes	**(11,164)**	3,596
Income subject to lower rates of tax	**(5,168)**	(17,734)
Recognition of previously unrecognised deferred taxes	**–**	(2,691)
Change in estimates and other prior year adjustments:		
– Current tax	**(1,491)**	1,517
– Deferred tax	**(600)**	50
Income tax expense/(credit) – continuing operations	**4,543**	(18,950)

Current and deferred tax movements recognised directly in other comprehensive income – continuing operations

in EUR `000	2016	2015
Relating to foreign exchange translation effects	**(198)**	(5,265)
Relating to cash flow hedges	**(376)**	(599)
Relating to Group employee benefit plans actuarial gains/(losses) (note 25)	**23**	(1,216)
Tax recognised directly in other comprehensive income	**(551)**	(7,080)

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

10 Proposed dividend

At the Annual General Meeting on 13 December 2016, shareholders will be invited to approve a proposed dividend of CHF 0.5731 (€0.5255) per share. If approved, the dividend will be paid to shareholders on 1 February 2017. A dividend of CHF 0.6555 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 8 December 2015.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

11 Earnings per share

Basic earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
(Loss)/profit attributable to equity shareholders – discontinued operations	**(45,721)**	529,396
Profit attributable to equity shareholders – total	**67,008**	524,760
Profit/(loss) attributable to equity shareholders – continuing operations	**112,729**	(4,636)
Perpetual callable subordinated instrument accrued dividend	**(31,882)**	(30,673)
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Profit used to determine basic EPS – total	**35,126**	494,087
Weighted average number of ordinary shares	'000	'000
Ordinary shares outstanding at 1 August[1]	**88,759**	88,175
Effect of exercise of equity instruments during the year	**–**	481
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Basic earnings/(loss) per share from continuing operations	**91.1 cent**	(39.8) cent
Basic (loss)/earnings per share from discontinued operations	**(51.5) cent**	597.1 cent
Basic earnings per share	**39.6 cent**	557.3 cent

Diluted earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) used to determine diluted EPS – continuing operations	**80,847**	(35,309)
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Effect on non-controlling interests share of reported profits, due to dilutive impact of Origin management equity entitlements	**–**	(27)
(Loss)/profit used to determine diluted EPS – discontinued operations	**(45,721)**	529,369
Profit used to determine diluted EPS – total	**35,126**	494,060
Weighted average number of ordinary shares (diluted)	'000	'000
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact[2]	**170**	–
Weighted average number of ordinary shares used to determine diluted earnings per share	**88,929**	88,656
Diluted earnings/(loss) per share from continuing operations	**90.9 cent**	(39.8) cent
Diluted (loss)/earnings per share from discontinued operations	**(51.4) cent**	597.1 cent
Diluted earnings per share	**39.5 cent**	557.3 cent

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

2 In accordance with IAS 33, 'Earnings Per Share', potential ordinary shares are treated as dilutive only when their conversion would decrease profit per share or increase loss per share from continuing operations. As the impact related to the conversion of equity-based incentives would decrease the loss per share for the year ended 31 July 2015, no dilutive effect was given to outstanding equity based incentives during that period.

Notes to the Group Consolidated Financial Statements (continued)
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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 EPS;
- excludes intangible amortisation, except ERP intangible amortisation;
- excludes net acquisition, disposal and restructuring-related costs; and
- adjusts for the impact of dilutive instruments on non-controlling interests' share of adjusted profits.

Underlying fully diluted earnings per share	2016 in EUR '000	2015 in EUR '000
Profit/(loss) used to determine basic EPS – continuing operations	**80,847**	(35,309)
Amortisation of non-ERP intangible assets (note 1)	**176,241**	168,022
Tax on amortisation of non-ERP intangible assets (note 24)	**(36,715)**	(35,104)
Share of joint venture intangible amortisation and restructuring-related costs, net of tax (note 15)	**3,966**	310
Net acquisition, disposal and restructuring-related costs (note 3)	**97,114**	279,950
Tax on net acquisition, disposal and restructuring-related costs	**(9,911)**	(47,881)
Underlying net profit – continuing operations	**311,542**	329,988
(Loss)/profit used to determine basic EPS – discontinued operations	**(45,721)**	529,396
Underlying contribution as associate – discontinuing operations	**(48)**	17,296
Amortisation, non-recurring and other – discontinued operations	**–**	6,343
Loss/(gain) on disposal of discontinued operations	**45,769**	(551,759)
Fair value adjustment – discontinuing operations	**–**	28,459
Underlying net profit – discontinued operations	**–**	29,735
Underlying net profit – total	**311,542**	359,723
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Underlying basic earnings per share – continuing operations	**351.0 cent**	372.2 cent
Underlying basic earnings per share – discontinued operations	**–**	33.6 cent
Underlying basic earnings per share – total	**351.0 cent**	405.8 cent
Weighted average number of ordinary shares used to determine basic earnings per share	**88,759**	88,656
Effect of equity-based incentives with a dilutive impact	**170**	785
Weighted average number of ordinary shares used to determine underlying fully diluted earnings per share	**88,929**	89,441
Underlying fully diluted earnings per share – continuing operations	**350.3 cent**	368.9 cent
Underlying fully diluted earnings per share – discontinued operations	**–**	33.3 cent
Underlying fully diluted earnings per share – total	**350.3 cent**	402.2 cent

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

12 Property, plant and equipment

31 July 2016 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
Additions	6,427	70,253	1,292	106,340	184,312
Transfer from assets under construction	28,027	87,876	1,235	(117,138)	–
Arising on business combination (note 29)	3,860	30	561	–	4,451
Business disposals	(2,878)	(1,988)	–	–	(4,866)
Asset write-downs/disposals, net	(109)	(3,394)	(115)	(1,551)	(5,169)
Depreciation charge for year	(20,343)	(90,695)	(992)	–	(112,030)
Translation adjustments	(6,238)	(6,959)	(34)	(1,845)	(15,076)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**
At 31 July 2016					
Cost	607,165	1,479,247	8,395	147,245	2,242,052
Accumulated depreciation	(92,098)	(550,389)	(4,680)	–	(647,167)
Net Book Value At 31 July 2016	**515,067**	**928,858**	**3,715**	**147,245**	**1,594,885**

31 July 2015 in EUR '000	Land and buildings	Plant and Machinery	Motor Vehicles	Assets under construction	Total
Net Book Value At 1 August 2014	**534,286**	**688,544**	**3,097**	**148,083**	**1,374,010**
Additions	10,398	52,347	532	286,978	350,255
Transfer from assets under construction	31,632	228,310	62	(260,004)	–
Arising on business combination (note 29)	32,960	42,585	1,113	816	77,474
Business disposals	(680)	(43,054)	(1)	(12,448)	(56,183)
Disposals as part of discontinued operations (note 2)	(70,755)	(23,806)	(1,833)	–	(96,394)
Asset write-downs/disposals, net	(26,248)	(29,473)	(181)	(20,181)	(76,083)
Transfer to investment properties (note 13)	(826)	–	–	–	(826)
Depreciation charge for year	(21,460)	(96,137)	(932)	–	(118,529)
Translation adjustments	17,014	54,419	(89)	18,195	89,539
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**
At 31 July 2015					
Cost	589,756	1,385,065	7,204	161,439	2,143,464
Accumulated depreciation	(83,435)	(511,330)	(5,436)	–	(600,201)
Net Book Value At 31 July 2015	**506,321**	**873,735**	**1,768**	**161,439**	**1,543,263**

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	Plant and Machinery	Motor Vehicles	Total
At 31 July 2016	**263**	**2,306**	**2,569**
At 31 July 2015	264	688	952

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

13 Investment properties

in EUR '000	**2016**	2015
Balance at 1 August	**25,916**	30,716
Development costs	**365**	–
Transfer from property, plant and equipment (note 12)	**–**	826
Disposals as part of discontinued operations (note 2)	**–**	(7,575)
Translation adjustment	**(1,494)**	1,949
Balance at 31 July	**24,787**	25,916

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. Rental income and operating expenses recognised related to these properties is not significant.

No material fair value adjustments were recorded to investment properties during the years ended 31 July 2016 and 31 July 2015.

14 Goodwill and intangible assets

31 July 2016 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
Additions	–	–	–	6,766	23,936	–	30,702
Arising on business combination (note 29)	6,918	16,500	2,800	–	–	–	26,218
Business disposals (note 3)	(20,573)	–	–	(62)	–	–	(20,635)
Asset write-downs	–	–	–	(34)	(1,801)	–	(1,835)
Amortisation charge for the year	–	(136,350)	(26,235)	(2,933)	(12,743)	(10,723)	(188,984)
Translation adjustments	(18,602)	(5,854)	(1,457)	845	(346)	(127)	(25,541)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**
At 31 July 2016							
Cost	2,403,671	1,496,912	321,446	53,802	213,447	61,290	4,550,568
Accumulated amortisation	–	(669,716)	(174,348)	(34,678)	(26,901)	(27,731)	(933,374)
Net Book Value At 31 July 2016	**2,403,671**	**827,196**	**147,098**	**19,124**	**186,546**	**33,559**	**3,617,194**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

31 July 2015 in EUR '000	Goodwill	Customer Relationships	Brands	Computer-related	ERP-related intangibles	Patents and other	Total
Net Book Value At 1 August 2014	**2,273,382**	**971,897**	**177,116**	**16,042**	**185,792**	**66,368**	**3,690,597**
Additions	–	532	–	5,267	52,514	4,010	62,323
Arising on business combination (note 29)	87,112	47,198	2,878	67	–	5,528	142,783
Business disposals (note 3)	(56,202)	–	–	–	(9,439)	(63)	(65,704)
Disposals as part of discontinued operations (note 2)	(96,124)	(41,769)	(10,056)	(611)	(11,935)	–	(160,495)
Asset write-downs	–	–	–	(3,316)	(36,337)	–	(39,653)
Amortisation charge for the year	–	(116,187)	(19,497)	(4,180)	(9,787)	(34,695)	(184,346)
Translation adjustments	227,760	91,229	21,549	1,273	6,692	3,261	351,764
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**
At 31 July 2015							
Cost	2,435,928	1,498,014	324,043	49,661	191,670	93,239	4,592,555
Accumulated amortisation	–	(545,114)	(152,053)	(35,119)	(14,170)	(48,830)	(795,286)
Net Book Value At 31 July 2015	**2,435,928**	**952,900**	**171,990**	**14,542**	**177,500**	**44,409**	**3,797,269**

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.

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 2016 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 2016 impairment testing, are summarised as follows:

in EUR '000	Pre-tax discount rate 2016	Projection period	Terminal growth rate	Carrying Value 2016	Carrying Value 2015
UK, Ireland and Netherlands	**7.8%**	**3 years**	**2%**	**211,409**	210,774
Germany and other[1]	**8.1%**	**3 years**	**2%**	**369,930**	370,393
Switzerland	**6.7%**	**3 years**	**2%**	**244,529**	249,581
France	**8.5%**	**3 years**	**2%**	**85,354**	105,927
ARYZTA Europe				**911,222**	936,675
ARYZTA North America	**8.3%**	**3 years**	**2%**	**1,435,709**	1,443,858
ARYZTA Rest of World	**11.7%**	**3 years**	**3%**	**56,740**	55,395
				2,403,671	2,435,928

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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 year ended 31 July 2016. During the year ended 31 July 2015, an impairment of €56,202,000 was recorded in the ARYZTA Europe operating segment, as a result of business disposals (note 3).

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 current financial budgets, 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.

A 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, 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 and growth estimates for the projection period, as well as the discount rate.

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 relevant long-term inflation rates within each of the cash-generating units. While the terminal growth rate is a significant factor in the goodwill impairment testing, reducing the terminal growth rate to 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 of 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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

15 Investments in associates and joint ventures

31 July 2016 in EUR '000	Share of associates net assets	Share of joint ventures net assets	Total
At 1 August 2015	–	32,067	32,067
Investment in joint venture	–	450,732	450,732
Share of profit after tax and before intangible amortisation	–	15,682	15,682
Group share of intangible amortisation	–	(3,162)	(3,162)
Group share of restructuring-related costs	–	(804)	(804)
Gains through other comprehensive income	–	304	304
Translation adjustments	–	(3,373)	(3,373)
At 31 July 2016	**–**	**491,446**	**491,446**

31 July 2015 in EUR '000			
At 1 August 2014	41,323	13,588	54,911
Investment in joint ventures	–	30,577	30,577
Share of losses, after tax and before intangible amortisation	–	(1,210)	(1,210)
Group share of intangible amortisation	–	(310)	(310)
Movements in investment in associates and JV in discontinued operations	4,326	3,133	7,459
Disposals as part of discontinued operations (note 2)	(45,649)	(16,721)	(62,370)
Translation adjustments	–	3,010	3,010
At 31 July 2015	**–**	**32,067**	**32,067**

During August 2015, the Group acquired a 49% interest in Picard, which operates an asset light business-to-consumer platform focused on premium speciality food. Picard is located primarily in France, but also has some international franchises outside of France.

While ARYZTA holds only a minority shareholding and voting rights in Picard, the Group is entitled to jointly approve key business decisions, including approval of proposed members of Picard management and the annual operating budget, which are considered relevant activities. Therefore, the Group's interest in Picard has been presented as a joint venture.

The Group also retains the right to exercise a call option to acquire the remaining outstanding interest in Picard between FY2019 and FY2021, Picard remains separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

During January 2015, the Group exchanged assets with a fair value of GBP 24,000,000 (€30,577,000) for a 50% interest in Signature Flatbreads, a pioneering flatbread producer in the UK and India, producing an innovative range of authentic Indian breads, as well as high quality international flatbreads, tortillas, pizza bases and pitas. As ARYZTA is entitled to jointly approve key business decisions, the Group's interest in Signature Flatbreads has been presented as a joint venture.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The Group also received a vendor loan note receivable from Signature Flatbreads, with an initial balance of GBP 17,683,000 (€22,529,000), of which GBP 17,700,000 (€21,509,000) was repaid during the year ended 31 July 2016.

The amounts included in these Group consolidated financial statements in respect of the current year post-acquisition profits or losses of 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. Both Picard and Signature International Foods India Private Ltd have a year-end of 31 March, while Signature Flatbreads (UK) Ltd has a year-end of 31 May.

The assets, liabilities and overall investments in joint ventures are as follows:

31 July 2016 in EUR '000	Picard	Signature	Total	ARYZTA portion
Cash and cash equivalents	122,594	3,769	126,363	61,551
Other current assets	122,413	22,859	145,272	71,008
Total current assets	**245,007**	**26,628**	**271,635**	**132,559**
Total non-current assets	**1,901,773**	**61,663**	**1,963,436**	**956,424**
Trade and other payables	(230,334)	(19,954)	(250,288)	(122,081)
Other current liabilities	(62,241)	(461)	(62,702)	(30,523)
Total current liabilities	**(292,575)**	**(20,415)**	**(312,990)**	**(152,604)**
Total non-current liabilities	**(1,690,737)**	**(23,968)**	**(1,714,705)**	**(834,866)**
Balance at 31 July 2016	**163,468**	**43,908**	**207,376**	**101,513**
Goodwill				389,933
Investment in joint ventures				**491,446**

The share of revenues and results of joint ventures are as follows:

31 July 2016 in EUR '000	Picard	Signature	Total	ARYZTA's share thereof
Revenue	1,287,900	115,087	**1,402,987**	
EBITDA	186,743	11,108	**197,851**	
Depreciation	(27,405)	(4,805)	**(32,210)**	
EBITA	159,338	6,303	**165,641**	
Finance costs, net	(88,746)	(1,169)	**(89,915)**	
Pre-tax profits	70,592	5,134	**75,726**	
Income tax	(42,592)	(1,024)	**(43,616)**	
Joint venture underlying net profit	**28,000**	**4,110**	**32,110**	**15,682**
Intangible amortisation, net of deferred taxes	(4,326)	(2,113)	**(6,439)**	**(3,162)**
Restructuring-related costs	(1,652)	–	**(1,652)**	**(804)**
Profit after tax	**22,022**	**1,997**	**24,019**	**11,716**
Gains through other comprehensive income	626	–	**626**	**304**
Total other comprehensive income	**22,648**	**1,997**	**24,645**	**12,020**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

16 Inventory

in EUR '000	2016	2015
Raw materials	**53,475**	56,380
Finished goods	**177,009**	186,520
Packaging and other	**18,235**	16,955
Balance at 31 July	**248,719**	259,855

A total expense of €17,461,000 (2015: €15,169,000) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

17 Trade and other receivables

in EUR '000	2016	2015
Non-current		
Loan notes due from joint venture (note 31)	**3,956**	28,644
Current		
Trade receivables, net	**99,607**	185,777
Amounts due from related parties (note 31)	**187**	789
VAT recoverable	**20,581**	22,123
Prepayments and accrued income	**24,992**	25,947
Other receivables	**23,228**	29,400
Balance at 31 July	**168,595**	264,036

18 Trade and other payables

in EUR '000	2016	2015
Non-current		
Other payables	**37,678**	36,732
Forward purchase obligation (note 22)	**–**	15,185
Balance at 31 July	**37,678**	51,917
Current		
Trade payables	**382,560**	372,135
Amounts due to related parties (note 31)	**333**	191
Accruals and other payables[1]	**358,618**	352,159
Employee-related tax and social welfare	**11,716**	9,128
VAT payable	**10,516**	8,947
Forward purchase obligation (note 22)	**14,878**	–
Balance at 31 July	**778,621**	742,560

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 2016

19 Contingent consideration

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

in EUR '000	**2016**	2015
Balance at 1 August	**48,660**	15,254
Arising on business combination (note 29)	**572**	42,366
Payments of contingent consideration	**(46,916)**	(9,240)
Released to income statement	**(1,140)**	–
Translation adjustment	**(160)**	280
Balance at 31 July	**1,016**	48,660

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.

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

in EUR '000	**2016**	2015
Cash at bank and on hand	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Included in the Group Consolidated Cash Flow Statement	**468,973**	248,033

Cash at bank and on 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.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

21 Interest-bearing loans and borrowings

Details of the Group's interest bearing loans and borrowings are outlined below.

The bank and private placement borrowings of the Group share security via a security assignment agreement.

in EUR `000	2016	2015
Included in non-current liabilities		
Loans	**1,962,339**	1,935,828
Finance leases	**1,370**	1,348
Non-current interest-bearing loans and borrowings	**1,963,709**	1,937,176
Included in current liabilities		
Loans	**223,974**	35,883
Bank overdrafts (note 20)	**178,751**	68,834
Total bank loans and overdrafts	**402,725**	104,717
Finance leases	**907**	77
Current interest-bearing loans and borrowings	**403,632**	104,794
Total bank loans and overdrafts	**2,365,064**	2,040,545
Total finance leases	**2,277**	1,425
Total interest-bearing loans and borrowings	**2,367,341**	2,041,970

Analysis of net debt in EUR `000	1 August 2015	Cash flows	Arising on business combination / disposal	Non-cash movements	Translation adjustment	31 July 2016
Cash	316,867	319,991	15,613	–	(4,747)	647,724
Overdrafts	(68,834)	(114,652)	–	–	4,735	(178,751)
Cash and cash equivalents	**248,033**	**205,339**	**15,613**	**–**	**(12)**	**468,973**
Loans	(1,971,711)	(246,984)	–	(3,645)	36,027	(2,186,313)
Finance leases	(1,425)	26	(470)	(431)	23	(2,277)
Net debt	**(1,725,103)**	**(41,619)**	**15,143**	**(4,076)**	**36,038**	**(1,719,617)**

During March 2016, the Group agreed new terms for its revolving credit facility, which reduced the Group's revolving credit facility capacity from CHF 1,977m to CHF 1,400m. The facility has a maturity in March 2019 for CHF 500m and March 2021 for the remaining CHF 900m, with an option to extend the entire facility to March 2021. The new facility has substantially unchanged financial covenants.

Also see changes to the Group's interest-bearing loans and borrowings subsequent to year-end, as included in note 32.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

The terms of outstanding loans are as follows:

2016	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	438,327	433,638
Senior secured revolving working capital facility	Various	2021	553,340	544,901
Private placement 2014				
Series A	USD	2020	89,590	88,954
Series B	USD	2022	223,974	222,381
Series C	USD	2024	125,426	124,534
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series C	USD	2018	53,754	53,361
Series D	USD	2021	134,385	133,403
Series E	USD	2022	89,590	88,935
Series F	EUR	2020	25,000	24,817
Private placement 2009				
Series A	USD	2021	71,671	71,119
Series B	USD	2024	35,836	35,560
Series C	USD	2029	71,671	71,119
Private placement 2007				
Series B	USD	2017	223,974	223,974
Series C	USD	2019	44,795	44,795
Total outstanding loans at 31 July 2016			**2,206,333**	**2,186,313**

2015	Currency	Calendar year of maturity	Nominal Value in EUR'000	Carrying amount in EUR'000
Senior secured revolving working capital facility	Various	2019	730,493	720,865
Private placement 2014				
Series A	USD	2020	90,017	89,377
Series B	USD	2022	225,043	223,442
Series C	USD	2024	126,024	125,127
Series D	EUR	2024	25,000	24,822
Private placement 2010				
Series B	USD	2016	36,007	35,883
Series C	USD	2018	54,010	53,825
Series D	USD	2021	135,026	134,563
Series E	USD	2022	90,017	89,709
Series F	EUR	2020	25,000	24,914
Private placement 2009				
Series A	USD	2021	72,014	71,653
Series B	USD	2024	36,007	35,826
Series C	USD	2029	72,013	71,653
Private placement 2007				
Series B	USD	2017	225,042	225,043
Series C	USD	2019	45,009	45,009
Total outstanding loans at 31 July 2015			**1,986,722**	**1,971,711**

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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

	31 July 2016	31 July 2015
Total bank loans	**4.5%**	3.8%

The pre-tax weighted average cost of capital associated with the Group's financing structures was 8.0% (2015: 7.4%).

Repayment schedule – loans and overdrafts (nominal values) in EUR `000	**2016**	2015
Less than one year	**402,725**	104,841
Between one and five years	**1,339,191**	1,169,571
After five years	**643,168**	781,144
	2,385,084	2,055,556

Repayment schedule – finance leases in EUR `000	**Minimum lease payments 2016**	**Interest 2016**	**Present value of payments 2016**	Minimum lease payments 2015	Interest 2015	Present value of payments 2015
Less than one year	**966**	**59**	**907**	134	57	77
Between one and five years	**1,412**	**42**	**1,370**	1,358	10	1,348
After five years	**–**	**–**	**–**	–	–	–
	2,378	**101**	**2,277**	1,492	67	1,425

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

22 Financial instruments and financial risk

The fair values of financial assets, liabilities, investment property and assets held-for-sale, together with the carrying amounts shown in the balance sheet, are as follows:

in EUR `000	Fair value hierarchy	Fair Value through income statement 2016	Hedge instruments 2016	Loans and receivables 2016	Liabilities at amortised cost 2016	Total carrying amount 2016	Fair value 2016
Trade and other receivables (excluding prepayments)		–	–	126,978	–	126,978	126,978
Cash and cash equivalents		–	–	647,724	–	647,724	647,724
Derivative financial assets	*Level 2*	–	669	–	–	669	669
Investment properties	*Level 3*	24,787	–	–	–	24,787	24,787
Total financial assets		**24,787**	**669**	**774,702**	**–**	**800,158**	**800,158**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(779,189)	(779,189)	(779,189)
Bank overdrafts		–	–	–	(178,751)	(178,751)	(178,751)
Bank borrowings		–	–	–	(2,186,313)	(2,186,313)	(2,380,949)
Finance lease liabilities		–	–	–	(2,277)	(2,277)	(2,277)
Derivative financial liabilities	*Level 2*	–	(14,557)	–	–	(14,557)	(14,557)
Forward purchase obligation	*Level 3*	(14,878)	–	–	–	(14,878)	(14,878)
Contingent consideration	*Level 3*	(1,016)	–	–	–	(1,016)	(1,016)
Total financial liabilities		**(15,894)**	**(14,557)**	**–**	**(3,146,530)**	**(3,176,981)**	**(3,371,617)**

in EUR `000	Fair value hierarchy	Fair Value through income statement 2015	Hedge instruments 2015	Loans and receivables 2015	Liabilities at amortised cost 2015	Total carrying amount 2015	Fair value 2015
Trade and other receivables (excluding prepayments)		–	–	244,610	–	244,610	244,610
Cash and cash equivalents		–	–	316,867	–	316,867	316,867
Derivative financial assets	*Level 2*	–	653	–	–	653	653
Investment properties	*Level 3*	25,916	–	–	–	25,916	25,916
Associate held-for-sale	*Level 1*	270,870	–	–	–	270,870	270,870
Total financial assets		**296,786**	**653**	**561,477**	**–**	**858,916**	**858,916**
Trade and other payables (excluding non-financial liabilities)		–	–	–	(761,217)	(761,217)	(761,217)
Bank overdrafts		–	–	–	(68,834)	(68,834)	(68,834)
Bank borrowings		–	–	–	(1,971,711)	(1,971,711)	(2,096,779)
Finance lease liabilities		–	–	–	(1,425)	(1,425)	(1,425)
Derivative financial liabilities	*Level 2*	–	(12,766)	–	–	(12,766)	(12,766)
Forward purchase obligation	*Level 3*	(15,185)	–	–	–	(15,185)	(15,185)
Contingent consideration	*Level 3*	(48,660)	–	–	–	(48,660)	(48,660)
Total financial liabilities		**(63,845)**	**(12,766)**	**–**	**(2,803,187)**	**(2,879,798)**	**(3,004,866)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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.

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

Trade and other receivables/payables
All trade and other receivables or payables, other than the forward purchase obligation, 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.

Investment property
Investment property, principally comprised of land and buildings, is held for capital appreciation. Investment property is stated at fair value through the income statement. 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. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Associate held-for-sale
The Group's 29% investment in Origin was classified as an associate held-for-sale as of 31 July 2015 because its carrying amount was to be recovered principally through a sale transaction. This is stated at fair value, less costs to sell. As the fair value is determined by reference to prices quoted in an active market, it was classified as a Level 1 financial asset.

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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.

Forward purchase obligation
The 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 non-controlling interest 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.

Contingent consideration
Where any part of the consideration for a business combination is deferred or 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. 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.

Movement in level 3 financial liabilities

in EUR `000	2016	2015
Balance at 1 August	**63,845**	44,885
Arising on business combination (note 29)	**572**	42,366
Disposals as part of discontinued operations	**–**	(16,360)
Payments of contingent consideration (note 19)	**(46,916)**	(9,240)
Amounts recognised in profit and loss (note 19)	**(1,140)**	–
Translation adjustments	**(467)**	2,194
Balance at 31 July	**15,894**	63,845

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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.

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.

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.

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 geographies.

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 owed is possible. At that point the amount is considered irrecoverable and is written off directly against the trade receivable.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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 €226,256,000 (2015: €176,574,000). The Group has continued to recognise an asset of €17,797,000 (2015: €17,948,000), representing the maximum extent of its continuing involvement or exposure.

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 2016**	Carrying amount 2015
Cash and cash equivalents	**647,724**	316,867
Trade and other receivables	**126,978**	244,610
Derivative financial assets	**669**	653
	775,371	562,130

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

in EUR `000	**Carrying amount 2016**	Carrying amount 2015
Europe	**69,260**	127,813
North America	**6,483**	34,002
Rest of World	**23,864**	23,962
	99,607	185,777

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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

in EUR `000	Gross 2016	Provision for impairment 2016	Gross 2015	Provision for impairment 2015
Not past due	**42,312**	**417**	124,196	412
Past due 0–30 days	**47,282**	**195**	49,678	411
Past due 31–120 days	**11,202**	**1,596**	8,285	524
Past due more than 121 days	**8,049**	**7,030**	10,121	5,156
	108,845	**9,238**	192,280	6,503

The Group payment terms are typically 0–60 days. With the exception of the long-term vendor loan note due from a joint venture, all other receivables are due in less than six months. Other than the receivables provided for in the impairment above, receivables are deemed to be fully recoverable.

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

in EUR `000	2016	2015
Balance at 1 August	**6,503**	18,163
Arising on business combination	**439**	1,308
Business disposals	–	(1,550)
Disposals as part of discontinued operations	–	(11,121)
Provided/(utilised) during the year	**2,481**	(593)
Translation adjustment	**(185)**	296
Balance at 31 July	**9,238**	6,503

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 generally not more than 40% of total bank borrowing facilities should mature in any twelve-month period. At 31 July 2016, 17% of the Group's total borrowings will mature within the next 12 months.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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

2016 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	(1,207,774)	(1,525,328)	(30,182)	(254,156)	(100,992)	(417,958)	(722,040)
Variable rate bank loans	(978,539)	(1,051,889)	(6,570)	(6,570)	(13,140)	(1,025,609)	–
Finance lease liabilities	(2,277)	(2,378)	(518)	(448)	(961)	(451)	–
Bank overdrafts	(178,751)	(178,751)	(178,751)	–	–	–	–
Trade and other payables	(779,189)	(779,189)	(707,649)	(33,862)	(4,369)	(10,284)	(23,025)
Forward purchase obligation	(14,878)	(14,878)	(14,878)	–	–	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(8,642)	(8,642)	(2,012)	(2,012)	(2,921)	(1,697)	–
Currency forward contracts used for hedging							
– Inflows	–	326,789	316,414	10,375	–	–	–
– Outflows	(5,915)	(332,704)	(321,758)	(10,946)	–	–	–
	(3,175,965)	**(3,566,970)**	**(945,904)**	**(297,619)**	**(122,383)**	**(1,455,999)**	**(745,065)**

2015 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	(1,250,846)	(1,630,568)	(31,124)	(67,131)	(285,685)	(348,305)	(898,323)
Variable rate bank loans	(720,865)	(776,672)	(6,445)	(6,444)	(12,887)	(750,896)	–
Finance lease liabilities	(1,425)	(1,492)	(36)	(98)	(1,333)	(25)	–
Bank overdrafts	(68,834)	(68,834)	(68,834)	–	–	–	–
Trade and other payables	(761,217)	(761,217)	(696,374)	(28,111)	(4,821)	(7,093)	(24,818)
Forward purchase obligation	(15,185)	(15,185)	–	–	(15,185)	–	–
Derivative financial instruments							
Interest rate swaps used for hedging	(9,258)	(9,258)	(1,928)	(1,929)	(2,631)	(2,770)	–
Currency forward contracts used for hedging							
– Inflows		204,840	174,837	30,003	–	–	–
– Outflows	(3,508)	(208,348)	(178,147)	(30,201)	–	–	–
	(2,831,138)	**(3,266,734)**	**(808,051)**	**(103,911)**	**(322,542)**	**(1,109,089)**	**(923,141)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Cash flow hedges				
Currency forward contracts	**669**	**(5,915)**	653	(3,508)
Interest rate swaps	**–**	**(8,642)**	–	(9,258)
At 31 July	**669**	**(14,557)**	653	(12,766)

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 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 2016

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 uses 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 2016:

2016 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	9,214	1,387	1,086	6,764	7,884	4,232	30,567
Other receivables	187	91	98	–	233	20	629
Cash and cash equivalents	5,146	5,327	46	83	15,389	509	26,500
Trade payables	(3,453)	(26,852)	(4,874)	(102)	(24,672)	(3,744)	(63,697)
Other payables	(1,021)	(5,319)	(544)	(23)	(2,766)	(5)	(9,678)
Derivative financial instruments	(1,765)	(10,380)	(318)	–	(1,267)	(18)	(13,748)
At 31 July 2016	**8,308**	**(35,746)**	**(4,506)**	**6,722**	**(5,199)**	**994**	**(29,427)**

The following table details the Group's exposure to transactional foreign currency risk at 31 July 2015:

2015 in EUR `000	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8,520	6,753	1,424	6,764	9,494	2,720	35,675
Other receivables	–	2	–	–	3,444	88	3,534
Cash and cash equivalents	306	4,601	45	1,849	9,940	594	17,335
Trade payables	(8,534)	(23,674)	(491)	(1,090)	(28,339)	(3,468)	(65,596)
Other payables	(623)	(165)	–	(339)	(1,017)	–	(2,144)
Derivative financial instruments	(264)	(8,322)	(88)	–	(2,295)	9	(10,960)
At 31 July 2015	**(595)**	**(20,805)**	**890**	**7,184**	**(8,773)**	**(57)**	**(22,156)**

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Currency sensitivity analysis

A 10% strengthening or weakening of the foreign currencies below against the euro 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.

2016 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	(916)	11,255	1,119	(13,756)
USD	2,306	48,159	(2,818)	(58,861)
CAD	381	7,036	(465)	(8,600)
CHF	(611)	–	747	–
At 31 July 2016	1,160	66,450	(1,417)	(81,217)

2015 in EUR `000	10% strengthening income statement	10% strengthening equity	10% weakening income statement	10% weakening equity
GBP	30	14,720	(37)	(17,991)
USD	1,135	35,375	(1,387)	(43,236)
CAD	(89)	11,473	109	(14,022)
CHF	(653)	–	798	–
At 31 July 2015	423	61,568	(517)	(75,249)

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 variable 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 2016**	Carrying amount 2015
Fixed rate instruments		
Bank borrowings	**(1,207,774)**	(1,250,846)
Finance lease liabilities	**(2,277)**	(1,425)
	(1,210,051)	(1,252,271)
Variable rate instruments		
Cash and cash equivalents	**647,724**	316,867
Bank overdrafts	**(178,751)**	(68,834)
Bank borrowings	**(978,539)**	(720,865)
Total interest-bearing financial instruments	**(1,719,617)**	(1,725,103)

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Cash flow sensitivity analysis for variable rate liabilities

A change of 50 bps 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.

2016 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(178,751)	(894)	–
Variable rate bank borrowings	(978,539)	(4,893)	–
Interest rate swaps	508,359	–	2,542
Cash flow sensitivity, net	**(648,931)**	**(5,787)**	**2,542**

2015 in EUR `000	Principal amount	Impact of 50 bp increase on income statement	Impact of 50 bp increase on equity
Bank overdrafts	(68,834)	(344)	–
Variable rate bank borrowings	(720,865)	(3,604)	–
Interest rate swaps	510,068	–	2,550
Cash flow sensitivity, net	**(279,631)**	**(3,948)**	**2,550**

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 accrual 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)
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23 Deferred income from government grants

in EUR `000	2016	2015
At 1 August	**16,998**	21,261
Received during the year	**10,045**	193
Arising on business disposals	**–**	(373)
Recognised in Group Consolidated Income Statement	**(3,098)**	(4,107)
Translation adjustment	**–**	24
At 31 July	**23,945**	16,998

24 Deferred income tax

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

in EUR `000	2016	2015
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**8,856**	11,427
Employee compensation	**4,682**	4,725
Pension related	**4,967**	5,161
Financing related	**1,341**	1,165
Tax loss carry-forwards and tax credits	**92,429**	71,856
Other	**20,901**	11,245
	133,176	105,579
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(123,049)**	(103,530)
Intangible assets	**(210,635)**	(246,116)
Pension related	**(1,086)**	(432)
Financing related	**(3,962)**	(11,269)
Unremitted earnings	**(78,826)**	(75,293)
Other	**(40,076)**	(10,478)
	(457,634)	(447,118)

Unrecognised deferred income 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	2016	2015
Within one year	**–**	–
Between one and five years	**3,187**	676
After five years	**23,348**	19,974
Total unrecognised tax losses	**26,535**	20,650

Notes to the Group Consolidated Financial Statements (continued)
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Deferred income tax liabilities of €8,560,000 (2015: €15,745,000) 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.

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

2016 in EUR `000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**
Recognised in Group Consolidated Income Statement	(23,672)	(20)	(822)	6,979	16,889	(17,955)	**(18,601)**	36,715	**18,114**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	(23)	376	–	198	**551**	–	**551**
Arising on business combination (note 29)	–	–	–	–	–	–	**–**	(2,413)	**(2,413)**
Translation adjustments and other	1,582	(23)	(3)	128	151	(2,185)	**(350)**	1,179	**829**
At 31 July 2016	(114,193)	4,682	3,881	(2,621)	13,603	(19,175)	**(113,823)**	(210,635)	**(324,458)**

2015 in EUR `000	Property, plant and equipment and ERP	Employee compensation	Pension related	Financing related	Tax losses, credits and unremitted earnings	Other	**Sub-Total**	Intangible assets	**Total**
At 1 August 2014	(88,853)	4,091	1,611	(11,132)	(13,133)	5,314	**(102,102)**	(246,717)	**(348,819)**
Recognised in Group Consolidated Income Statement	9,969	2	1,908	(310)	12,274	(7,886)	**15,957**	35,104	**51,061**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	1,216	2,914	–	2,950	**7,080**	–	**7,080**
Arising on business combination (note 29)	(4,642)	–	–	–	–	–	**(4,642)**	(12,869)	**(17,511)**
Translation adjustments and other	(8,577)	632	(6)	(1,576)	(2,578)	389	**(11,716)**	(21,634)	**(33,350)**
At 31 July 2015	(92,103)	4,725	4,729	(10,104)	(3,437)	767	**(95,423)**	(246,116)	**(341,539)**

Notes to the Group Consolidated Financial Statements (continued)
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25 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. 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.

The trustees of the various pension funds are required by law to act in the best interests of the plan participants and are responsible for investment strategy and plan administration. The level of benefits available to members depends on length of service and either their average salary over their period of employment, their salary in the final years leading up to retirement or in some cases historical salaries, depending on the rules of the individual plan.

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

in EUR `000	**2016**	2015
Total deficit in defined benefit plans	**11,387**	13,487
Other[1]	**2,083**	1,787
Total	**13,470**	15,274

1 Other includes provisions to meet unfunded pension fund deficiencies in a variety of insignificant subsidiaries.

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 May 2016 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Employee benefit plan risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk. The allocation to equities is monitored to ensure it remains appropriate given the long-term objectives of the plans.

Changes in bond yields

An increase in corporate bond yields will decrease the value placed on liabilities of the plans, although this will be partially offset by a decrease in the value of the bond holdings within the plans.

Inflation risk

In certain plans the benefit obligations are linked to inflation, with the result that higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

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Life expectancy
In the event that members live longer than assumed, a further deficit will emerge.

The Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Financial assumptions
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:

	2016	2015
Rate of increase in salaries	**1.78%**	1.78%
Rate of increases in pensions in payment and deferred benefits	**0.00%**	0.00%
Discount rate on plan liabilities	**0.19%**	1.04%

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

	2016	2015
Male	**24.2**	23.2
Female	**26.2**	25.7

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

	2016	2015
Male	**22.3**	21.5
Female	**24.3**	24.0

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

The sensitivity of the defined benefit obligation to changes in the principal financial actuarial assumptions is set out below. The present value of the defined benefit obligation has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognised in the Group Consolidated Balance Sheet. The impact on the defined benefit obligation as at 31 July 2016 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	**Change in Assumption**	Impact on plan liabilities
Discount rate	**Increase/decrease 0.15%**	Decrease/increase by 1.9%
Salary growth rate	**Increase/decrease 0.50%**	Increase/decrease by 1.0%

Net pension liability

in EUR `000	**2016**	2015
Fair value of plan assets:		
Equities	**16,727**	18,617
Bonds	**27,322**	26,979
Property	**13,537**	14,155
Other	**2,464**	7,075
Total fair value of assets	**60,050**	66,826
Present value of plan liabilities	**(71,437)**	(80,313)
Deficit in the plans	**(11,387)**	(13,487)
Related deferred tax asset (note 24)	**3,881**	4,729
Net pension liability	**(7,506)**	(8,758)

Movement in the fair value of plan assets

in EUR `000	**2016**	2015
Fair value of plan assets at 1 August	**66,826**	131,374
Interest income	**641**	1,004
Employer contributions	**3,113**	3,079
Employee contributions	**2,657**	2,612
Benefit payments made	**(3,567)**	(417)
Plan settlements	**(6,540)**	(1,287)
Actuarial return on plan assets (excluding interest income)	**(695)**	2,982
Movements in discontinued operations	**–**	6,960
Disposals as part of discontinued operations	**–**	(87,310)
Translation adjustments	**(2,385)**	7,829
Fair value of plan assets at 31 July	**60,050**	66,826

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Movement in the present value of plan obligations
in EUR `000

	2016	2015
Present value of plan obligations at 1 August	**(80,313)**	(142,259)
Current service cost	**(4,435)**	(3,618)
Past service gain	**1,256**	636
Settlement gain	**2,049**	–
Interest expense on plan obligations	**(774)**	(1,085)
Employee contributions	**(2,657)**	(2,612)
Benefit payments made	**3,567**	417
Plan settlements	**6,540**	1,287
Actuarial changes in demographic and financial assumptions	**(3,748)**	(6,393)
Actuarial experience adjustments	**3,981**	(3,471)
Arising on disposal of business	**503**	–
Movements in discontinued operations	**–**	(26,007)
Disposals as part of discontinued operations	**–**	111,550
Translation adjustments	**2,594**	(8,758)
Present value of plan obligations at 31 July	**(71,437)**	(80,313)

Movement in net liability recognised in the Group Consolidated Balance Sheet
in EUR `000

	2016	2015
Net liability in plans at 1 August	**(13,487)**	(10,885)
Current service cost	**(4,435)**	(3,618)
Past service gain	**1,256**	636
Settlement gain	**2,049**	–
Employer contributions	**3,113**	3,079
Net interest expense	**(133)**	(81)
Actuarial loss on Group defined benefit pension plans	**(462)**	(6,882)
Arising on disposal of business	**503**	–
Movements in discontinued operations	**–**	(19,047)
Disposals as part of discontinued operations (note 2)	**–**	24,240
Translation adjustments	**209**	(929)
Net liability in plans at 31 July	**(11,387)**	(13,487)

The estimated contributions expected to be paid during the year ending 31 July 2017 in respect of the Group's defined benefit plans are €3,985,650.

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement
in EUR `000

	2016	2015
Current service cost	**4,435**	3,618
Past service gain	**(1,256)**	(636)
Settlement gain	**(2,049)**	–
Non-financing expense recognised in Group Consolidated Income Statement	**1,130**	2,982
Included in financing costs, net	**133**	81
Net charge to Group Consolidated Income Statement	**1,263**	3,063

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Additionally, a charge of €13,202,000 (2015: €14,557,000) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans within continuing operations.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income

in EUR `000	2016	2015
Return on plan assets (excluding interest income)	**(695)**	2,982
Experience gains/(losses) on plan liabilities	**3,981**	(3,471)
Changes in demographic and financial assumptions	**(3,748)**	(6,393)
Actuarial loss	**(462)**	(6,882)
Deferred tax effect of actuarial loss (note 9)	**(23)**	1,216
Actuarial loss recognised in Group Consolidated Statement of Comprehensive Income	**(485)**	(5,666)

History of experience gains and losses:	2016	2015
Difference between expected and actual return on plan assets and losses:		
– Amount (in €`000)	**(695)**	2,982
– % of Plan assets	**(1.16)%**	4.46%
Experience gains/(losses) on plan obligations:		
– Amount (in €`000)	**3,981**	(3,471)
– % of Plan obligations	**5.57%**	(4.32) %
Total actuarial losses recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €`000)	**(462)**	(6,882)
– % of Plan obligations	**(0.65)%**	(8.57) %

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2016 `000	2016 in EUR `000	2015 `000	2015 in EUR `000
At 1 August	**91,811**	**1,172**	91,811	1,172
Issue of registered shares (CHF 0.02)	**–**	**–**	–	–
At 31 July	**91,811**	**1,172**	91,811	1,172

At the Annual General Meeting on 8 December 2015, the shareholders approved the resolution to modify Article 5 of the Articles of Association (Authorised capital for general purposes). Pursuant to these modifications, the Board of Directors is now authorised to increase the share capital at any time until 7 December 2017, by an amount not exceeding CHF 183,621.06, through the issue of up to a maximum of 9,181,053 fully paid-up registered shares with a nominal value of CHF 0.02 each.

Furthermore, 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 companies, parts of companies or equity holdings or for new investment projects or for financing of such transactions (maximum of 9,181,053 fully paid-up registered shares),
(2) broadening the shareholder constituency (maximum of 4,590,526 fully paid-up registered shares), or
(3) for the purpose of the participation of employees (maximum of 3,060,351 fully paid-up registered shares).

Treasury shares of CHF 0.02 each – authorised, called up and fully paid	2016 `000	2016 in EUR `000	2015 `000	2015 in EUR `000
At 1 August	**3,052**	**47**	3,636	55
Release of treasury shares upon vesting and exercise of equity entitlements	**–**	**–**	(584)	(8)
At 31 July	**3,052**	**47**	3,052	47

There were no options exercised or other treasury share transactions during the year ended 31 July 2016.

During the year ended 31 July 2015, 501,000 vested Option Equivalent Plan awards were exercised, in exchange for 256,703 shares. The weighted average share price at the time of these exercises was CHF 79.98 per share.

The performance conditions associated with 327,052 Matching Plan awards were fulfilled during the year ended 31 July 2014. Therefore, these awards were approved as vested by the Nomination and Remuneration Committee and were subsequently exercised by management during the year ended 31 July 2015.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

Other equity reserve

In October 2010, the Group raised CHF 400,000,000 through the issuance of a perpetual Callable Subordinated Instrument ('Hybrid Instrument'), which was recognised at a carrying value of €285,004,000 within equity, net of transaction costs. This Hybrid Instrument offered a coupon of 5.0% and had no maturity date, with an initial call date by ARYZTA in October 2014. In October 2014, the Group repaid the CHF 400,000,000 (€331,680,000) Hybrid Instrument, in line with the initial call date.

In April 2013, the Group raised CHF 400,000,000 through the issuance of an additional Hybrid Instrument, which was 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 4.0% and has no maturity date, with an initial call date by ARYZTA in April 2018. In the event that the call option is not exercised, the coupon would be 605 bps, plus the 3-month CHF LIBOR.

In October 2014, the Group raised CHF 190,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 421 bps, plus the 3-month CHF LIBOR.

In November 2014, the Group raised €250,000,000 through the issuance of an additional Hybrid Instrument. This Hybrid Instrument offers a coupon of 4.5% and has no maturity date, with an initial call date by ARYZTA in March 2019. In the event that the call option is not exercised, the coupon would be 677 bps, plus the 5 year swap rate.

The two Hybrid instruments issued during the year ended 31 July 2015 were recognised at a combined value of €401,014,000 within equity, net of related transaction costs of €6,534,000.

Other equity reserve

in EUR `000	**2016**	2015
At 1 August	**720,456**	604,446
Redemption of perpetual callable subordinated instrument	**–**	(285,004)
Issuance of hybrid instruments, net of transaction costs	**–**	401,014
At 31 July	**720,456**	720,456

The total coupon recognised for these Hybrid instruments during the year ended 31 July 2016 was €31,882,000 (2015: €30,673,000).

Cash flow hedge reserve

The cash flow hedge reserve comprises of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

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.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences, since 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 non-controlling interest shareholder continues to participate in the risk and rewards of the business until the final exit date, which is expected to occur during financial year 2017. At that time, consideration based on the net book value of HiCoPain AG, will be paid to the non-controlling interest shareholder.

Total estimated future consideration and related costs to be paid in connection with this transaction of CHF 17,349,000 (€14,412,000) were recorded as a reduction in retained earnings of the Group at the time of the agreement. As of 31 July 2016, the remaining estimated liability is €14,878,000 (2015: €15,185,000). 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 total equity of €3,187,771,000 (2015: €3,221,943,000). 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 EBITDA[1] and interest cover (EBITDA[1] 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.

Net debt amounted to €1,719,617,000 at 31 July 2016 (2015: €1,725,103,000).

The Group employs two ratio targets to monitor its financing covenants:

– The Group's net debt to EBITDA[1] ratio is below 3.5 times – the ratio was 2.90 times at 31 July 2016 (2015: 2.54 times).
– The Group's interest cover (EBITDA[1] to interest including hybrid) is above 4 times – the ratio was 4.50 times at 31 July 2016 (2015: 5.76 times).

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

The proposed pay-out ratio to shareholders for the Group's financial year to 31 July 2016 is 15% of fully diluted underlying earnings per share. The pay-out will be in the form of a dividend. The pay-out ratio and form of pay-out 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.

1 Calculated based on the terms of the Group Syndicated Bank Loan Revolving Credit Facility.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

27 Non-controlling interests

in EUR `000	2016	2015
Balance at 1 August	18,436	87,752
Share of profit for the year	2,776	7,519
Share of other comprehensive income	(1,510)	333
Dividends paid to non-controlling interests – continuing operations	(4,603)	(4,330)
Dividends paid to non-controlling interests – discontinued operations	–	(7,977)
Acquisition of non-controlling interests	–	(134)
Disposal as part of discontinued operations (note 2)	–	(64,727)
Balance at 31 July	15,099	18,436

Transactions with non-controlling interests

During financial year 2015, the Group completed an offering of 49 million ordinary shares in Origin on 25 March 2015, thereby reducing the Group's holding from 68.1% to 29.0%. Thereafter, the related non-controlling interests balance of €64,727,000 was de-recognised and Origin was presented as an associate asset held-for-sale.

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	2016	2015
Operating lease commitments payable:		
Within one year	58,713	54,256
In two to five years	167,938	155,322
After more than five years	116,221	120,699
Total	342,872	330,277

28.2 Capital commitments

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

in EUR `000	2016	2015
Property, plant and equipment	9,473	37,293
Intangible assets	1,237	6,487
Total	10,710	43,780

28.3 Other commitments

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

29 Business combinations

29.1 Acquisitions in financial year 2016

During the year ended 31 July 2016, the Group completed the 100% acquisition of La Rousse Foods, a supplier of fresh, frozen and ambient goods to various restaurants, hotels and caterers across Ireland.

The details of the net assets acquired and goodwill arising from this business combination are set out below. The goodwill arising on this business combination 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	Provisional fair values
Provisional fair value of net assets acquired:	
Property, plant and equipment (note 12)	4,451
Intangible assets (note 14)	19,300
Inventory	2,068
Trade and other receivables	5,641
Trade and other payables	(7,884)
Finance leases (note 21)	(470)
Deferred tax (note 24)	(2,413)
Income tax payable	(592)
Net assets acquired	**20,101**
Goodwill arising on acquisitions (note 14)	6,918
Consideration	**27,019**
Satisfied by:	
Cash consideration	26,772
Cash acquired	(325)
Net cash consideration	**26,447**
Contingent consideration	572
Total consideration	**27,019**

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	26,772
Cash acquired	(325)
Net cash consideration within investment activities	**26,447**
Finance leases acquired within net debt	470
Net debt consideration	**26,917**

Acquisition-related costs of €2,330,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2016, as included in note 3, net acquisition disposal and restructuring-related costs.

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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

in EUR '000	Total
Revenue	35,720
Profit for the year	1,769

No material difference exists between the consolidated revenue and profit reported and the consolidated revenue and profit that would have been reported if this acquisition had occurred on 1 August 2015. 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 acquisition had occurred on 1 August 2015.

The identified intangibles associated with this acquisition primarily includes the fair value of customer relationships. The income approach method was the basis for the fair value of these intangibles.

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

29.2 Acquisitions in financial year 2015

During the year ended 31 July 2015, the Group completed the 100% acquisition of two businesses in the ARYZTA Europe segment.

The details of the net assets acquired and goodwill arising from these 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 (note 12)	77,474
Intangible assets (note 14)	55,671
Inventory	7,703
Trade and other receivables	15,926
Trade and other payables	(31,515)
Finance leases	(1,292)
Deferred tax (note 24)	(17,511)
Income tax payable	(2,672)
Net assets acquired	**103,784**
Goodwill arising on acquisitions (note 14)	87,112
Consideration	**190,896**
Satisfied by:	
Cash consideration	155,713
Cash acquired	(7,183)
Net cash consideration	**148,530**
Contingent consideration	42,366
Total consideration	**190,896**

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	155,713
Cash acquired	(7,183)
Net cash consideration within investment activities	**148,530**
Finance leases acquired within net debt	1,292
Net debt consideration	**149,822**

Costs of €9,982,000 related to the Group's acquisition and joint venture investment related activities were charged to the Group Consolidated Income Statement during the year ended 31 July 2015, as included in note 3.

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

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

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 joint ventures and other related parties. A summary of transactions with these related parties is as follows:

in EUR `000	2016	2015
Purchase of goods	**(136)**	(64)
Provision of services	**3,008**	578
Receiving of services	**(686)**	(2,521)

Purchase of goods and provision of services relate primarily to transactions with joint ventures during the year.

Services received during the year ended 31 July 2016 related to broker fees paid totalling €686,000 (2015: €2,521,000) to J & E Davy, primarily in connection with its placing of Origin shares. J. Brian Davy, a member of the ARYZTA Board of Directors until December 2015, also served as Chairman of J & E Davy, up to his retirement from that board in March 2015. These fees were based on arm's length negotiations and were consistent with costs paid to other providers for similar services.

The trading balances owing to the Group from related parties were €187,000 (2015: €789,000) and the trading balances owing from the Group to these related parties were €333,000 (2015: €191,000).

Non-current other receivables comprises €3,956,000 (2015: €28,644,000), which relates to a vendor loan note made to Signature Flatbreads (UK) Ltd, a joint venture undertaking. The coupon rate on the vendor loan note is 5.84% compounding. Unless previously repaid, redeemed or repurchased, the vendor loan note will be repaid in full in March 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 manage the business and affairs of the Group. A summary of the compensation to key management is as follows:

in EUR `000	2016	2015
Short-term employee benefits	**4,780**	4,187
Post-employment benefits	**448**	394
Performance-related bonus	**2,804**	–
Non-compete compensation and pension	**500**	–
Long-term incentives (LTIP)	**–**	881
Total key management compensation	**8,532**	5,462

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

Further detailed disclosure in relation to the compensation entitlements of the Board of Directors and Executive Management is provided in the Compensation Report on pages 49 to 56.

32 Post balance sheet events – after 31 July 2016

During August 2016, the Group exercised its option to increase its Revolving Credit Facility ('RCF') by CHF 150m, to a total available capacity of CHF 1,550m (€1,428m). As of 31 July 2016 the balance outstanding on this facility was €991.7m.

During August 2016, the Group signed a new €1,000m Term Loan Facility, which matures in February 2018, with similar financial terms as the RCF.

During September 2016, the Group utilised the available capacity of the RCF, Term Loan Facility and existing cash resources to redeem all of its outstanding Private Placements, which totalled €1,215m as of 31 July 2016, for a total redemption cost of €1,410m, including the principal balance, early redemption costs of €169m, accrued interest, associated unamortised borrowing costs and other related fees.

These transactions are expected to result in a significant reduction in the Group's weighted average interest cost.

33 Risk assessment

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

Notes to the Group Consolidated Financial Statements (continued) for the year ended 31 July 2016

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 14 & 29	Goodwill, intangible assets and business combinations
Notes 9 & 24	Income tax expense and deferred income tax

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

Accounting for business combinations is complex in nature, requiring various estimates including: the fair value of assets acquired / liabilities assumed, the identification and valuation of intangible assets received, the estimated contingent consideration to be transferred and the allocation of the excess purchase price to the resulting goodwill, as set out in note 29. Furthermore, testing of assets for impairment, particularly goodwill, involves determination of the cash-generating units, estimating the respective future cash flows and applying the appropriate discount rates, in order to determine an estimated recoverable value of those cash-generating units, as set out in note 14.

Income tax expense, as set out in note 9, and deferred taxes, as set out in note 24, are subject to management estimate. The Group Consolidated Balance Sheet includes deferred taxes relating to temporary differences, which 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.

Notes to the Group Consolidated Financial Statements (continued)
for the year ended 31 July 2016

35 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 31 July 2016 and 2015, are 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, 2% of total Group revenue and/or consolidated Group assets equal to, or in excess of, 2% of total Group assets. A significant joint venture is one in which the Group's share of profits after tax is equal to, or in excess of, 2% of total Group operating profit and/or the carrying value of the investment is equal to, or in excess of, 2% of total Group assets.

Name	Nature of business	Currency	Share capital millions	Group % share 2016	Group % share 2015	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Bakeries Ireland	Food manufacturing and distribution	EUR	1.016	100	100	1
ARYZTA Technology Ireland	Asset management company	EUR	0.000	100	100	1
Delice de France Limited	Food distribution	GBP	0.250	100	100	2
France Distribution SAS	Food distribution	EUR	0.108	100	100	3
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	4
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	5
Hiestand & Suhr Handels und Logistik GmbH	Food distribution	EUR	0.025	100	100	6
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	7
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	8
ARYZTA Limited	Food manufacturing and distribution	CAD	255.818	100	100	9
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.400	100	100	10
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	11
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à.r.l. (Picard)	Food distribution	EUR	0.100	49	–	12

Registered Offices:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. 149 Brent Road, Southall, Middlesex UB2 5LJ, England.
3. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
4. Ifangstrasse 9–11, 8952 Schlieren-Zurich, Switzerland.
5. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
6. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
7. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
8. 6080 Center Drive, Suite 900, Los Angeles, CA 90045, United States of America.
9. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
10. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
11. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
12. 7, Rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg.

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

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2016

As statutory auditor, we have audited the 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 to the Group Consolidated Financial Statements (pages 67 to 142), for the year ended 31 July 2016.

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 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 to the General Meeting of ARYZTA AG on the consolidated financial statements 2016 (continued)

Opinion
In our opinion, the Group consolidated financial statements for the year ended 31 July 2016 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 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

Carrie Rohner

Zurich, 3 October 2016