Annual Report and Accounts 2020

Group Consolidated and Company Financial Statements 2020

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Statement of Directors' Responsibilities
for the period ended 1 August 2020

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

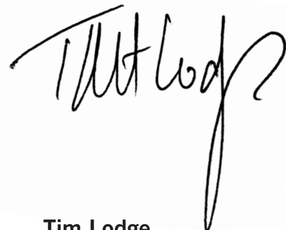
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

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



Urs Jordi
Chair, Board of Directors

Tim Lodge
Chair, Audit Committee,
Member of the Board of Directors

6 October 2020

Group Consolidated Income Statement
for the period ended 1 August 2020

	Notes	**2020[1] €m**	2019[1] €m
Revenue	2	**2,930.9**	3,383.4
Cost of sales		**(2,193.7)**	(2,462.4)
Distribution expenses		**(361.0)**	(404.1)
Gross profit		**376.2**	516.9
Selling expenses		**(141.4)**	(161.9)
Administration expenses		**(341.5)**	(342.9)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	3	**(164.6)**	(7.0)
Impairment of goodwill	16	**(502.1)**	–
Operating (loss)/profit	2	**(773.4)**	5.1
Share of profit after interest and tax of joint ventures	17	**16.1**	27.6
Net loss on disposal of joint venture	17	**(297.1)**	–
(Loss)/profit before financing income, financing costs and income tax		**(1,054.4)**	32.7
Financing income	5	**7.3**	4.5
Financing costs	5	**(49.9)**	(55.2)
Loss before income tax		**(1,097.0)**	(18.0)
Income tax credit/(expense)	10	**5.5**	(11.2)
Loss for the period attributable to equity shareholders		**(1,091.5)**	(29.2)

Loss per share	Notes	**2020 euro cent**	2019 euro cent
Basic loss per share	12	**(114.8)**	(8.3)
Diluted loss per share	12	**(114.8)**	(8.3)

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Comprehensive Income
for the period ended 1 August 2020

	Notes	**2020[1] €m**	2019[1] €m
Loss for the period		**(1,091.5)**	(29.2)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation effects			
– Foreign exchange translation effects on net investments		**(81.1)**	52.3
– Taxation effect of foreign exchange translation movements	10	**(4.4)**	(0.1)
Cash flow hedges			
– Effective portion of changes in fair value of cash flow hedges		**(0.6)**	(1.9)
– Fair value of cash flow hedges transferred to income statement		**0.7**	1.2
– Deferred tax effect of cash flow hedges	10	**–**	–
Total of items that may be reclassified subsequently to profit or loss		**(85.4)**	51.5
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment on transfer to investment property	15	**5.4**	–
Defined benefit plans			
– Actuarial gain/(loss) on Group defined benefit pension plans	25	**1.0**	(1.3)
– Deferred tax effect of actuarial (gain)/loss	10	**(0.1)**	0.2
Total of items that will not be reclassified to profit or loss		**6.3**	(1.1)
Total other comprehensive (loss)/income		**(79.1)**	50.4
Total comprehensive (loss)/income for the period		**(1,170.6)**	21.2

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet
as at 1 August 2020

	Notes	2020[1] €m	Restated 2019[1,2] €m
Assets			
Non-current assets			
Property, plant and equipment	13	**1,323.4**	1,248.8
Investment properties	15	**6.4**	12.2
Goodwill and intangible assets	16	**1,143.1**	1,964.3
Investments in joint ventures	17	**–**	447.7
Financial assets at fair value through income statement	22	**16.8**	–
Other receivables	19	**16.3**	–
Deferred income tax assets	24	**48.8**	66.8
Total non-current assets		**2,554.8**	3,739.8
Current assets			
Inventory	18	**165.0**	247.3
Trade and other receivables	19	**206.7**	154.4
Derivative financial instruments	22	**0.5**	0.2
Cash and cash equivalents		**423.6**	377.9
		795.8	779.8
Assets of disposal group held-for-sale	4	**59.4**	–
Total current assets		**855.2**	779.8
Total assets		**3,410.0**	4,519.6

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

2 See note 1, page 107 for details regarding the classification restatement.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Balance Sheet (continued) as at 1 August 2020

	Notes	2020[1] €m	Restated 2019[1,2] €m
Equity			
Called up share capital	26	**17.0**	17.0
Share premium		**1,531.2**	1,531.2
Retained earnings and other reserves		**(280.3)**	887.9
Total equity		**1,267.9**	2,436.1
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	**1,337.6**	826.5
Employee benefits	25	**10.1**	9.7
Deferred income from government grants	23	**7.6**	10.5
Other payables	20	**35.6**	45.9
Deferred income tax liabilities	24	**147.7**	191.6
Total non-current liabilities		**1,538.6**	1,084.2
Current liabilities			
Interest-bearing loans and borrowings	21	**56.5**	284.7
Trade and other payables	20	**442.6**	648.6
Income tax payable		**63.5**	65.5
Derivative financial instruments	22	**0.7**	0.5
		563.3	999.3
Liabilities of disposal groups held-for-sale	4	**40.2**	–
Total current liabilities		**603.5**	999.3
Total liabilities		**2,142.1**	2,083.5
Total equity and liabilities		**3,410.0**	4,519.6

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.
2 See note 1, page 107 for details regarding the classification restatement.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity
for the period ended 1 August 2020

	Share capital €m	Share premium €m	Treasury shares €m	Other equity reserve €m	Cash flow hedge reserve €m	Revaluation reserve €m	Share-based payment reserve €m	Foreign currency translation reserve €m	Retained earnings €m	Total share-holders equity €m
At 28 July 2019[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.7**	**–**	**2.4**	**(53.3)**	**217.6**	**2,436.1**
IFRS 16 transition adjustment	–	–	–	–	–	–	–	–	(0.1)	(0.1)
IFRIC 23 transition adjustment	–	–	–	–	–	–	–	–	3.0	3.0
At 28 July 2019 (restated)	**17.0**	**1,531.2**	**–**	**720.5**	**0.7**	**–**	**2.4**	**(53.3)**	**220.5**	**2,439.0**
Loss for the period	–	–	–	–	–	–	–	–	(1,091.5)	(1,091.5)
Other comprehensive (loss)/ income	–	–	–	–	0.1	5.4	–	(85.5)	0.9	(79.1)
Total comprehensive (loss)/ income	**–**	**–**	**–**	**–**	**0.1**	**5.4**	**–**	**(85.5)**	**(1,090.6)**	**(1,170.6)**
Transfer of revaluation reserve to retained earnings	–	–	–	–	–	(5.4)	–	–	5.4	–
Release of treasury shares upon vesting of Restricted Stock Unit awards	–	–	–	–	–	–	–	–	–	–
Share-based payments (note 9)	–	–	–	–	–	–	(0.5)	–	–	(0.5)
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(5.4)**	**(0.5)**	**–**	**5.4**	**(0.5)**
At 1 August 2020[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.8**	**–**	**1.9**	**(138.8)**	**(864.7)**	**1,267.9**

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Statement of Changes in Equity (continued)
for the period ended 1 August 2020

	Share capital €m	Share premium €m	Treasury shares €m	Other equity reserve €m	Cash flow hedge reserve €m	Share-based payment reserve €m	Foreign currency translation reserve €m	Retained earnings €m	Total €m
At 29 July 2018[1]	**1.2**	**807.5**	**–**	**720.5**	**1.4**	**2.2**	**(105.5)**	**245.6**	**1,672.9**
Loss for the period	–	–	–	–	–	–	–	(29.2)	(29.2)
Other comprehensive (loss)/ income	–	–	–	–	(0.7)	–	52.2	(1.1)	50.4
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**52.2**	**(30.3)**	**21.2**
Proceeds from issue of shares, net of costs (note 26)	15.8	723.7	–	–	–	–	–	–	739.5
Release of treasury shares upon vesting of Restricted Stock Unit awards	–	–	–	–	–	–	–	–	–
Share-based payments (note 9)	–	–	–	–	–	2.5	–	–	2.5
Transfer of share-based payment reserve to retained earnings	–	–	–	–	–	(2.3)	–	2.3	–
Total transactions with owners recognised directly in equity	**15.8**	**723.7**	**–**	**–**	**–**	**0.2**	**–**	**2.3**	**742.0**
At 27 July 2019[1]	**17.0**	**1,531.2**	**–**	**720.5**	**0.7**	**2.4**	**(53.3)**	**217.6**	**2,436.1**

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
for the period ended 1 August 2020

	Notes	2020[1] €m	2019[1] €m
Cash flows from operating activities			
Loss for the period		**(1,091.5)**	(29.2)
Income tax (credit)/expense	10	**(5.5)**	11.2
Financing income	5	**(7.3)**	(4.5)
Financing costs	5	**49.9**	55.2
Share of profit after interest and tax of joint ventures	17	**(16.1)**	(27.6)
Net loss on disposal of joint venture	17	**297.1**	–
Impairment of goodwill	16	**502.1**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale	3	**164.6**	–
Impairment of intangibles	3	**28.3**	–
Net (gain)/loss on sale and asset write-downs	3	**(4.4)**	11.8
Other restructuring and COVID-19 related payments in excess of current period costs		**(4.3)**	(7.8)
Depreciation of property, plant and equipment	2	**168.6**	120.8
Amortisation of intangible assets	2	**139.1**	152.7
Recognition of deferred income from government grants	23	**(3.9)**	(3.9)
Share-based payments	9	**(0.5)**	2.5
Other		**2.4**	(3.4)
Cash flows from operating activities before changes in working capital		**218.6**	277.8
Decrease/(increase) in inventory		**55.1**	(2.6)
Increase in trade and other receivables		**(71.1)**	(4.9)
Decrease in trade and other payables		**(159.4)**	(32.8)
Cash generated from operating activities		**43.2**	237.5
Income tax paid		**(18.9)**	(25.8)
Net cash flows from operating activities		**24.3**	211.7

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Group Consolidated Cash Flow Statement
(continued)
for the period ended 1 August 2020

	Notes	2020[1] €m	2019[1] €m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**9.4**	2.5
Proceeds from sale of investment property	15	**17.4**	3.5
Purchase of property, plant and equipment		**(96.2)**	(101.8)
Grants received	23	**0.8**	–
Purchase of intangible assets		**(4.3)**	(3.1)
Disposal of businesses, net	3	**2.1**	3.1
Disposal of joint venture	17	**139.9**	–
Net cash flows from investing activities		**69.1**	(95.8)
Cash flows from financing activities			
Gross drawdown of loan capital	21	**406.7**	–
Gross repayment of loan capital	21	**(349.6)**	(763.9)
Interest paid		**(44.9)**	(64.4)
Interest received		**7.3**	4.5
Capital element of lease liabilities	21	**(47.9)**	(0.3)
Proceeds from issue of shares, net of costs paid	26	**-**	739.5
Net cash flows from financing activities		**(28.4)**	(84.6)
Net increase in cash and cash equivalents	21	**65.0**	31.2
Translation adjustment	21	**(19.3)**	4.7
Cash and cash equivalents at start of period	21	**377.9**	342.0
Cash and cash equivalents at end of period	21	**423.6**	377.9

1 Fiscal year 2020 ended on 1 August 2020 and fiscal year 2019 ended on 27 July 2019. Please refer to note 1 page 106 for further detail.

The notes on pages 104 to 180 are an integral part of these Group consolidated financial statements.

Notes to the Group Consolidated Financial Statements
for the period ended 1 August 2020

1 Accounting Policies

Organisation

ARYZTA AG (the 'Company') is domiciled and incorporated in Schlieren, Switzerland. The consolidated financial statements for the period ended 1 August 2020 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. ARYZTA AG is the ultimate controlling party of the Group.

The Group consolidated financial statements and the ARYZTA AG Company financial statements were authorised for issue by the directors on 6 October 2020, subject to approval by the shareholders at the General Meeting on 11 November 2020.

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.

The IFRS applied by the Group in preparation of these financial statements are those that were effective for accounting periods beginning on or before 28 July 2019. The following standards and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, are effective for the first time in the current financial period and have been adopted by the Group:

- IFRS 16 – Leases
- Amendments to IFRS 9 – Prepayment features with negative compensation
- Amendments to IAS 28 – Long-term interests in associates and joint ventures
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Improvements to IFRS Standards (2015–2017)
- IFRIC 23 – Uncertainty over income tax

The above standards and interpretations modified certain presentation and disclosure requirements, these new requirements are not significantly different than information presented as part of the 27 July 2019 period-end financial statements and, with the exception of the implementation of IFRS 16, had no material impact on the consolidated results or financial position of the Group.

Leasing policy applicable before 28 July 2019

Annual rentals payables under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

IFRS 16 – Leases

IFRS 16, published in January 2016, replaces the existing guidance in IAS 17 – Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and to recognise depreciation of lease assets separately from finance costs on lease liabilities in the income statement. Recognising a right-of-use asset represents the lessee's contractual right to use the leased asset for the lease term and recognising a lease liability reflects the lessee's obligation to make payments under the terms of the lease.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

The Group applied IFRS 16 from 28 July 2019 using the modified retrospective approach, whereby comparatives do not need to be restated. The Group applied the practical expedient for not making any adjustments on transition for low-value leased assets and relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. The Group assessed each lease and applied judgement for the determination of lease term where there are extension or termination options.

At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292.6 million and lease liabilities of €321.0 million. The difference related to sub leased assets recognised of €22.0m, onerous lease contracts of €1.8m and €4.5m in relation to accruals and prepaids. The Group recorded an adjustment to retained earnings of €0.1 million. Outstanding lease liabilities have been recognised at 28 July 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous leases. The weighted average incremental borrowing rate applied to lease liabilities on the consolidated balance sheet was 3.95% at 28 July 2019. See note 14 for a reconciliation of the right-of-use assets and finance liabilities recognised in the Group Consolidated Balance Sheet.

The lease liabilities as at 28 July 2019 can be reconciled to the operating lease commitments as at 27 July 2019 as follows:

	2020 €m
Operating lease commitments disclosed as at 27 July 2019	327.5
Add: Finance lease liabilities recognised under IAS 17 as at 27 July 2019	0.3
Less: low value and short term commitments at 27 July 2019	(1.5)
Add: adjustments as a result of extension and termination options	67.9
Total future lease payments	**394.2**
Effect of discounting	(73.2)
Lease liability recognised as at 28 July 2019	**321.0**

IFRIC 23 – Uncertainty over Income Tax Treatment
The Group applies IFRIC 23 as of 28 July 2019. IFRIC 23 clarifies the principles of recognition and measurement of tax assets and liabilities when there is uncertainty over income tax treatments. The Group has chosen to apply the partially retrospective transition method that allows the cumulative impact to be recognised in opening equity for the period in which the interpretation is applied for the first time. Upon adoption, the Group has recognised an increase in retained earnings, as presented in the Group Consolidated Statement of Changes in Equity on page 100, with a corresponding reduction to Income Tax Payable on the Group Consolidated Balance Sheet. The comparative information in the first year of application has not been restated.

New standards, interpretations and framework
The following new standards, interpretations and amendments to framework, 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

Standard/Interpretation/Framework	Effective date	Planned implementation by ARYZTA (reporting period)
Amendments to IFRS 3 – Definition of a business	1 January 2020	2021
Amendments to IAS 1 and IAS 8 – Definition of material	1 January 2020	2021
Amendments to the Conceptual framework	1 January 2020	2021
IFRS 17 – Insurance Contracts	1 January 2023	2024
Interest Rate Benchmark Reform - Amendments to IFRS9, IAS 39 and IFRS 7	1 January 2020	2021
Amendment to IFRS 16 – Leases - COVID-19 related rent concessions	1 June 2020	2021

The Group has undertaken an initial assessment of the potential impacts of the new standards, amendments and improvements listed above that are effective for the Group for the period ending 31 July 2021. Based on this initial assessment, the Group does not currently believe the adoption of these standards, amendments and interpretations will have a significant impact on the consolidated results or financial position of the Group.

Basis of preparation

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

The Group consolidated financial statements are presented in millions of euro, rounded to the nearest €0.1 million (m), 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 32.

Correction of comparative period

The Company manages its operations and reports its financial performance on a 4–4–5 calendar, dividing the financial period into four quarters of 13 weeks grouped into two 4-week "months" and one 5-week "month". Under this method the Company's fiscal period is defined as the last Saturday in July or every six years the first Saturday in August. Accordingly the fiscal periods for 2020 and 2019 ended on 1 August 2020 and 27 July 2019, respectively. The 2019 Annual report and Accounts, as previously presented, erroneously described the reporting date as 31 July 2019 rather than 27 July 2019, which was the exact closing date. Fiscal period 2020 comprised of the 53 week period ended on 1 August 2020 and 2019 comprised of the 52 weeks ended 27 July 2019.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

Prior period classification restatement
Following a review of the opening cash and cash equivalents and interest bearing loans and borrowings positions for period ended 1 August 2020, a classification error in the Group Consolidated Balance Sheets of prior periods was identified in the current period. In particular, the Group Consolidated Balance Sheet presented a bank overdraft of €155.9m at 27 July 2019, which formed part of a multi-party cash pooling arrangement that is always in a net cash position. Following a review of the related agreement and consideration of the practical operation of the cash pool, it was determined that both cash and overdraft balances maintained with the relevant financial institution are liable to mutual set-off and also that the Group intends to settle on a net basis. Based on IAS 32 Financial Instruments: Presentation, the net balance arising from the cash pool arrangement should have been presented in the Group Consolidated Balance Sheet.

The Group had previously concluded that bank overdraft balances arising from the cash pool arrangement were an integral part of the group cash management process, and accordingly formed a component of cash and cash equivalents in the Group Consolidated Cash Flow Statement.

The following corrections have been made to the comparative information for 2019 presented in the Group Consolidated Balance Sheet and related analysis of net debt disclosure:

	As reported at 2019 €m	Restated €m	Restated at 2019 €m
Assets			
Total non-current assets	**3,739.8**	**–**	**3,739.8**
Current assets			
Inventory	247.3	–	247.3
Trade and other receivables	154.4	–	154.4
Derivative financial instruments	0.2	–	0.2
Cash and cash equivalents	533.8	(155.9)	377.9
Total current assets	**935.7**	**(155.9)**	**779.8**
Total assets	**4,675.5**	**(155.9)**	**4,519.6**
Equity			
Total equity	**2,436.1**	**–**	**2,436.1**
Liabilities			
Total non-current liabilities	**1,084.2**	**–**	**1,084.2**
Current liabilities			
Interest-bearing loans and borrowings	440.6	(155.9)	284.7
Trade and other payables	648.6	–	648.6
Income tax payable	65.5	–	65.5
Derivative financial instruments	0.5	–	0.5
Total current liabilities	**1,155.2**	**(155.9)**	**999.3**
Total liabilities	**2,239.4**	**(155.9)**	**2,083.5**
Total equity and liabilities	**4,675.5**	**(155.9)**	**4,519.6**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Analysis of net debt presented as at 27 July 2019:

2019	29 July 2018 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	27 July 2019 €m
Cash	517.9	9.4	–	6.5	533.8
Overdrafts	(175.9)	21.8	–	(1.8)	(155.9)
Cash and cash equivalents, net	**342.0**	**31.2**	–	**4.7**	**377.9**
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	–	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

Analysis of net debt restated as at 27 July 2019

2019	29 July 2018 €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	27 July 2019 €m
Cash and cash equivalents	342.0	31.2	–	4.7	377.9
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	–	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

The above restatement has no impact on the Group Consolidated Income Statement, the Group Consolidated Statement of Comprehensive Income, the Group Consolidated Statement of Changes in Equity, the Group Consolidated Cash Flow Statement, net assets, net equity or net debt.

Income statement presentation
In accordance with IAS 1, 'Presentation of Financial Statements', the Group Consolidated Income Statement is presented by function of expense, with the exception of net loss on disposal of businesses and impairment of disposal groups held-for-sale and impairment of goodwill. In accordance with IAS 1.85, net loss on disposal of businesses and impairment of disposal groups held-for-sale and impairment of goodwill have been presented separately on the basis of materiality and to distinguish them from other elements of financial performance.

Management has also identified certain impairment, 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 Underlying EBITDA, as defined in note 2, and have been excluded from the calculation of underlying net profit in note 12.

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 6.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

Going concern

Given the significant impact of COVID-19 on the macro-economic conditions in which the Group operates, the Directors have placed a particular focus on whether it is appropriate to adopt the going concern basis in preparing the financial statements for the period ended 1 August 2020. The Directors' analysis of whether use of the going concern basis is appropriate covers at least 12 months from the date of the financial statements and is based on a number of factors, including financial performance, liquidity and compliance with the Group's financial covenants as defined under the terms of the Group's Syndicated Bank Facilities, as well as considering the Group's principal risks and uncertainties (see page 85).

The financial covenant ratios as defined under the terms of the Group's Syndicated Bank Facilities Agreement are a Net Debt : EBITDA ratio being equal to or lower than 3.5x and a Net Interest cover ratio being equal to or lower than 3.0x. As announced on 4 May 2020, the Group received the requisite consent from its lenders for an amendment of its financial covenants in respect of the covenant tests applicable to the Group's financial statements for the period ended 1 August 2020. The financial covenants applicable following this amendment were a Net Debt : EBITDA ratio being equal to or lower than 6.0x and a Net Interest cover ratio being equal to or higher than 1.5x. As announced on 28 September 2020, the Group received consent for a further amendment of its financial covenants which applies to the Group's financial statements for the periods ended 30 January 2021 and 31 July 2021. The financial covenant tests applicable following this later amendment are a Net Debt : EBITDA ratio being equal to or lower than 6.0x and a Net Interest cover ratio being equal to or higher than 1.0x for each of these periods. The amendment of the financial covenants announced on 28 September for the period ended 30 January 2021 supersedes the amendment to the financial covenants for that period previously announced by the Group on 4 May 2020.

The Directors have evaluated the appropriateness of adopting the going concern basis, including reviewing forecasts and assumptions relating to the financial performance and liquidity of the business, with particular focus on the financial covenants applicable for the periods ended 30 January 2021 and 31 July 2021. In addition to considering a base case scenario forecast, which included an estimate of the impact of COVID-19 on the Group, the Directors considered the impact a negative change in the assumptions underlying the base case scenario would have on the extent and timing of the recovery of the business from the pandemic, and benchmarked the impact against the financial covenant tests for FY 2021 and throughout the going concern assessment period. In particular, the Directors assessed the impact of a downside scenario where the EBITDA generation run rate achieved in the second half of FY 2020 would show no improvement during FY 2021, and determined that the financial covenant tests for the periods ended 30 January 2021 and 31 July 2021 would still be met in this scenario.

The Group has demonstrated strong liquidity management in response to the government restrictions imposed due to COVID-19, and will continue to use levers such as deferral of uncommitted capital expenditure and implementation of further cost reductions should the situation require it. Based on these considerations, together with available market information, the financial statements for the period ended 1 August 2020 have been prepared on a going concern basis.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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 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.

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 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. 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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, based on the higher of value in use or fair value less costs to sell, and its carrying value, and recognises any impairment adjacent to share of profit after interest and 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.

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 amount of consideration the Group expects to receive in exchange for the sale of goods and services supplied to third parties, after deducting trade discounts, allowances, and promotional and volume rebates, and is exclusive of sales tax/VAT. Revenue is recognised when control of the goods has passed to the buyer, which is usually upon shipment or delivery, depending on the specific terms agreed with individual customer. Revenue is recorded when there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates, allowances and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience, using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is no longer highly probable.

Financing income is recognised on an accrual basis, taking into consideration the sums lent and the actual interest rate applied.

Segmental reporting

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

The CODM has been identified as the Group CEO, Kevin Toland.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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

ARYZTA Europe has leading market positions in the European frozen B2B bakery market. In Europe, ARYZTA has a diversified customer base within the Foodservice, Large Retail and Convenience or independent Retail channels.

ARYZTA North America has leading positions in the frozen B2B bakery market in the United States and Canada. It has 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. 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 CODM.

Exceptional items

Exceptional items relate to significant income and/or expenses that are disclosed in a separate note to the financial statements. Where individual transactions are significantly material to the Group, these are disclosed on the face of the income statement due to their nature or amount to highlight the effect of such items within the Group Income Statement and results for the period and to better inform the user of their significance. Examples of such items may include but are not limited to:

- profits or losses on termination or disposal of operations;
- significant impairments of assets, including goodwill impairment;
- transaction, integration and related costs related to acquisition or disposal activity;
- litigation costs and settlements;
- significant restructuring programmes;
- costs arising due to the effect of natural disasters and national health emergencies (including pandemics and the related recovery periods, including any government-imposed restrictions impacting consumer demand and the production processes, net of directly related government support).

Management exercises judgement in assessing items which, by virtue of its scale or nature, should be highlighted and disclosed in the Group Income Statement and notes to the Group Financial Statements as exceptional items. Exceptional items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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 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 is recognised at grant date fair value, with a corresponding increase in equity. The fair value is measured at the 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 taxes

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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

the balance sheet date, in the respective countries where the Group and its subsidiaries operate and generate taxable income.

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

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred income tax assets are reduced to the extent it is no longer probable 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 €0.1 million, 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 period, 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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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 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.

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

Currency	Average FY 2020	Average FY 2019	% Change	Closing FY 2020	Closing FY 2019	% Change
CHF	1.0776	1.1310	4.7%	1.0783	1.1039	2.3%
USD	1.1082	1.1378	2.6%	1.1894	1.1149	(6.7)%
CAD	1.4908	1.5055	1.0%	1.5957	1.4672	(8.8)%
GBP	0.8790	0.8825	0.4%	0.9054	0.8955	(1.1)%

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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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 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.

Leases

Lease accounting policy effective from 28 July 2019

Identifying a lease

Where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is treated as a lease.

As Lessee

Where the Group acts as a lessee the Group recognises a right of use asset and lease liability at the lease commencement date, which is the date the underlying asset is available for our use.

The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment under IAS 36 'Impairment of assets'. Right of use assets are presented within Property, Plant and Equipment in the Group Consolidated Balance Sheet.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. In the Group

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Consolidated Cash Flow Statement the payments made are separated into the principal portion (presented within financing activities), and interest (presented in operating activities). It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date or the interest rate implicit in the lease, if this is readily determinable. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease, the term and currency of the lease. Lease liabilities are presented within interest-bearing loans and borrowings except for those leases that are part of disposal groups held-for-sale, they are presented in liabilities of disposal groups held-for-sale.

Short-term, low-value and wholly variable leases
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, short-term leases and wholly variable leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As Lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Leases policy applicable before 28 July 2019
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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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.

When the initial accounting for a business combination is only provisionally determined at the end of the financial period 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 period 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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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	10 to 22 years
Brands	10 to 25 years
Computer-related intangibles	3 to 5 years
ERP-related intangibles	6 to 12 years
Patents and other	8 to 12 years

Subsequent to initial recognition, the expected useful lives and related amortisation of finite life intangible assets are reviewed at least at each financial period end and, if the expected economic benefits of the asset are different from previous estimates, amortisation is adjusted accordingly. Intangible assets are stated at cost, less accumulated amortisation and any impairment losses incurred.

There are no intangible assets with an indefinite useful life.

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability), 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 period, 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

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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.

Disposal groups held-for-sale
Disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

The assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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,

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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

Financial assets and financial liabilities are recognised in or derecognised from the Group Consolidated Balance Sheet on trade-date basis, being the date on which the Group contractually commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only when the Group's obligations are discharged, cancelled or expired.

At initial recognition, the group measures a financial asset or liability at its fair value plus directly attributable transaction costs, except in the case of a financial instrument through profit or loss (FVPL), which are initially recognised at fair value.

Financial Assets classifications

Financial assets are classified into one of the following categories depending on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

Amortised cost

Trade and other receivables (excluding prepayments) and cash and cash equivalents are initially measured at fair value and are thereafter measured at amortised cost, using the effective interest method, less loss allowance.

Fair value through income statement (FVPL) or OCI (FVOCI)

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 cash flow hedging instrument through OCI.

Debt instruments

Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group has no debt instruments measured at FVOCI.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity investments
The Group subsequently measures all equity instrument investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Group Consolidated Income Statement following the derecognition of the investment. Dividends from such investments continue to be recognised in Consolidated Income Statement when the Group's right to receive payments is established.

Impairment of financial assets
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Credit losses associated with trade and other receivables are recognised in administration expenses. 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.

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.

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.

Derivatives
Derivative financial instruments, 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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

designated as cash flow hedges. The Group does not use derivatives for speculative purposes.

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.

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:
- Foreign exchange forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

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. At inception of a hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable.

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. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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
As the perpetual callable subordinated instruments ('Hybrid instruments') have no maturity date and repayment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to settle these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

2 Segment information

2.1 Analysis by business segment

I) Segment revenue and result	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Segment revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4
Underlying EBITDA[1]	**158.3**	167.7	**66.7**	98.0	**35.2**	41.8	**260.2**	307.5
Depreciation	**(86.3)**	(58.6)	**(66.7)**	(51.6)	**(15.6)**	(10.6)	**(168.6)**	(120.8)
ERP amortisation	**(10.8)**	(11.2)	**(5.4)**	(5.6)	**-**	-	**(16.2)**	(16.8)
Underlying EBITA	**61.2**	97.9	**(5.4)**	40.8	**19.6**	31.2	**75.4**	169.9
Amortisation of non-ERP intangible assets	**(42.0)**	(48.3)	**(74.9)**	(81.3)	**(6.0)**	(6.3)	**(122.9)**	(135.9)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(61.2)**	(5.0)	**(103.4)**	(2.0)	**-**	-	**(164.6)**	(7.0)
Impairment of goodwill	**(65.0)**	-	**(437.1)**	-	**-**	-	**(502.1)**	-
Impairment of intangible assets	**-**	-	**(28.3)**	-	**-**	-	**(28.3)**	-
Net gain/(loss) on fixed asset disposals and impairments	**1.5**	(1.8)	**3.4**	(3.0)	**(0.5)**	-	**4.4**	(4.8)
Disposal and restructuring-related costs	**(1.4)**	(10.2)	**(8.3)**	(6.9)	**-**	-	**(9.7)**	(17.1)
COVID-19 related costs	**(12.4)**	-	**(11.5)**	-	**(1.7)**	-	**(25.6)**	-
Operating (loss)/profit [2]	**(119.3)**	32.6	**(665.5)**	(52.4)	**11.4**	24.9	**(773.4)**	5.1
Share of profit after interest and tax of joint ventures[3]							**16.1**	27.6
Net loss on disposal of joint venture[3]							**(297.1)**	-
Financing income[3]							**7.3**	4.5
Financing costs[3]							**(49.9)**	(55.2)
Loss before income tax as reported in Group Consolidated Income Statement							**(1,097.0)**	(18.0)

1 'Underlying EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal, restructuring and COVID-19 related costs and related tax credits.

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 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 period ended 1 August 2020

II) Segment revenue by location

	2020 Revenue €m	2020 % of Group Revenue	2019 Revenue €m	2019 % of Group Revenue
Switzerland (ARYZTA's country of domicile)	**214.6**	**7.3%**	218.7	6.5%
Germany	**512.1**	**17.5%**	608.2	18.0%
France	**200.4**	**6.8%**	249.5	7.4%
Other[1]	**491.2**	**16.8%**	636.9	18.8%
ARYZTA Europe segmental revenue	**1,418.3**	**48.4%**	1,713.3	50.7%
USA	**995.2**	**34.0%**	1,086.6	32.1%
Canada	**266.7**	**9.1%**	311.3	9.2%
ARYZTA North America segmental revenue	**1,261.9**	**43.1%**	1,397.9	41.3%
ARYZTA Rest of World segmental revenue[2]	**250.7**	**8.5%**	272.2	8.0%
ARYZTA Group revenue[3]	**2,930.9**	**100.0%**	3,383.4	100.0%
ARYZTA Group revenue from major customer[4]	**379.2**	**12.9%**	402.7	11.9%

1 Other includes foreign countries in the Europe segment which individually did not represent greater than 5% of ARYZTA Group revenue in the current or prior financial period.

2 No country in the Rest of World segment represented greater than 5% of the ARYZTA Group revenue in the current or prior financial period on an individual country basis.

3 For the purposes of this analysis, customer revenues are allocated based on geographic location of vendor.

4 One single external customer represented greater than 10% of the ARYZTA Group revenue in the current and prior financial period. These revenues were earned across all of the Group's operating segments in the current and prior financial periods. There is no significant credit risk associated with receivables from this customer.

III) Segment revenue by product

	ARYZTA Europe 2020 €m	ARYZTA Europe 2019 €m	ARYZTA North America 2020 €m	ARYZTA North America 2019 €m	ARYZTA Rest of World 2020 €m	ARYZTA Rest of World 2019 €m	ARYZTA Group 2020 €m	ARYZTA Group 2019 €m
Bread Rolls & Artisan Loaves	**585.5**	709.5	**367.9**	377.7	**183.0**	197.1	**1,136.4**	1,284.3
Sweet Baked & Morning Goods	**458.8**	526.6	**736.1**	845.1	**63.6**	67.5	**1,258.5**	1,439.2
Savoury & Other	**374.0**	477.2	**157.9**	175.1	**4.1**	7.6	**536.0**	659.9
Revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4

IV) Segment revenue by channel

	ARYZTA Europe 2020 €m	ARYZTA Europe 2019 €m	ARYZTA North America 2020 €m	ARYZTA North America 2019 €m	ARYZTA Rest of World 2020 €m	ARYZTA Rest of World 2019 €m	ARYZTA Group 2020 €m	ARYZTA Group 2019 €m
QSR	**134.2**	153.0	**564.3**	634.0	**180.7**	191.0	**879.2**	978.0
Convenience & Independent Retail	**299.7**	307.8	**25.9**	28.2	**13.6**	10.3	**339.2**	346.4
Large Retail	**636.7**	701.5	**404.0**	389.7	**10.4**	7.3	**1,051.1**	1,098.5
Other Foodservice	**347.7**	551.0	**267.7**	346.0	**46.0**	63.6	**661.4**	960.5
Revenue	**1,418.3**	1,713.3	**1,261.9**	1,397.9	**250.7**	272.2	**2,930.9**	3,383.4

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

V) Segment assets	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	Restated 2019[1] €m
Segment assets[1]	**1,664.1**	1,725.4	**1,060.0**	1,667.7	**207.2**	238.8	**2,931.3**	3,631.9
Reconciliation to total assets as reported in Group Consolidated Balance Sheet								
Investments in joint ventures							**–**	447.7
Financial assets at fair value through income statement							**16.8**	–
Deferred income tax assets							**37.8**	61.9
Derivative financial instruments							**0.5**	0.2
Cash and cash equivalents							**423.6**	377.9
Total assets as reported in Group Consolidated Balance Sheet							**3,410.0**	4,519.6

VI) Segment liabilities	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	Restated 2019[1] €m
Segment liabilities[1]	**409.0**	410.9	**342.2**	327.0	**61.3**	63.4	**812.5**	801.3
Reconciliation to total liabilities as reported in Group Consolidated Balance Sheet								
Interest-bearing loans and borrowings							**1,165.8**	1,111.2
Derivative financial instruments							**0.7**	0.5
Current and deferred income tax liabilities							**163.1**	170.5
Total liabilities as reported in Group Consolidated Balance Sheet							**2,142.1**	2,083.5

1 Deferred tax assets and liabilities associated with acquired goodwill and intangible assets are included within Segment assets and liabilities.

2 See note 1, page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

VII) Other segment information	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Capital expenditure								
– Property, plant and equipment	**41.1**	39.6	**33.3**	61.1	**27.8**	12.6	**102.2**	113.3
– Intangibles	**1.9**	1.3	**1.5**	1.8	**0.9**	-	**4.3**	3.1
Total capital expenditure	**43.0**	40.9	**34.8**	62.9	**28.7**	12.6	**106.5**	116.4

2.2 Segmental non-current assets

I) Segment non-current assets by segment	ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
IFRS 8 non-current assets[1]	**1,489.6**	2,009.6	**849.5**	1,475.6	**166.9**	187.8	**2,506.0**	3,673.0

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.

II) Segment non-current assets by location	2020		2019	
	Non-current assets €m	% of Group non-current assets	Non-current assets €m	% of Group non-current assets
Switzerland (ARYZTA's country of domicile)	**330.1**	**13.2%**	291.7	7.9%
Germany	**414.9**	**16.6%**	404.1	11.0%
Other[1]	**744.6**	**29.7%**	1,313.8	35.8%
ARYZTA Europe segmental non-current assets	**1,489.6**	**59.5%**	2,009.6	54.7%
USA	**410.8**	**16.4%**	879.4	24.0%
Canada	**438.7**	**17.5%**	596.2	16.2%
ARYZTA North America segmental non-current assets	**849.5**	**33.9%**	1,475.6	40.2%
ARYZTA Rest of World segmental non-current assets[2]	**166.9**	**6.6%**	187.8	5.1%
ARYZTA Group non-current assets	**2,506.0**	**100.0%**	3,673.0	100.0%

1 Other includes foreign countries in the Europe segment which individually did not represent greater than 10% of ARYZTA Group non-current assets at the end of the current or prior financial period.

2 No country in the Rest of World segment represented greater than 10% of the ARYZTA Group non-current assets in the current or prior financial period on an individual country basis.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

3 Impairment, disposal, restructuring and COVID-19 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 impairment, disposal restructuring and COVID-19 related costs within each functional area, which are presented separately within the Financial Business Review. In order to enable comparability of the Group's underlying results and performance from period to period, the following reconciliation between the IFRS income statement and the amounts presented within the Financial Business Review is provided.

	IFRS Income Statement 2020 €m	Impairment, disposal & restructuring related costs 2020 €m	COVID-19 related costs 2020 €m	Intangible amortisation 2020 €m	Financial Business Review 2020 €m	IFRS Income Statement 2019 €m	Impairment, disposal & restructuring related costs 2019 €m	Intangible amortisation 2019 €m	Financial Business Review 2019 €m
Revenue	**2,930.9**	–	–	–	**2,930.9**	**3,383.4**	–	–	**3,383.4**
Cost of sales	**(2,193.7)**	2.9	18.9	–	**(2,171.9)**	**(2,462.4)**	9.0	–	**(2,453.4)**
Distribution expenses	**(361.0)**	0.4	1.3	–	**(359.3)**	**(404.1)**	0.5	–	**(403.6)**
Gross profit	**376.2**	3.3	20.2	–	**399.7**	**516.9**	9.5	–	**526.4**
Selling expenses	**(141.4)**	0.1	1.0	–	**(140.3)**	**(161.9)**	0.8	–	**(161.1)**
Administration expenses	**(341.5)**	30.2	4.4	122.9	**(184.0)**	**(342.9)**	11.6	135.9	**(195.4)**
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	**(164.6)**	164.6	–	–	**–**	**(7.0)**	7.0	–	**–**
Impairment of goodwill (note 16)	**(502.1)**	502.1	–	–	**–**	**–**	–	–	**–**
Operating (loss)/profit	**(773.4)**	700.3	25.6	122.9	**75.4**	**5.1**	28.9	135.9	**169.9**

Notes to the Group Consolidated Financial Statements (continued)
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During the period ended 1 August 2020, the Group incurred the following impairment, disposal, restructuring and COVID-19 -related costs, which are presented separately when providing information to the Chief Operating Decision Maker, as reflected within the presentation of segmental Underlying EBITDA within note 2. Furthermore, this metric forms the basis for the Trailing Twelve Month EBITDA utilised in calculating the Net Debt: EBITDA ratio for banking covenant compliance.

		ARYZTA Europe		ARYZTA North America		ARYZTA Rest of World		ARYZTA Group	
	Notes	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Net loss on disposal of businesses and impairment of disposal groups held for sale	3.1	**(61.2)**	(5.0)	**(103.4)**	(2.0)	**–**	–	**(164.6)**	(7.0)
Impairment of goodwill	3.2	**(65.0)**	–	**(437.1)**	–	**–**	–	**(502.1)**	–
Impairment of intangibles	3.2	**–**	–	**(28.3)**	–	**–**	–	**(28.3)**	–
Gain/(loss) on sale and impairment of fixed assets	3.3	**1.5**	(1.8)	**3.4**	(3.0)	**(0.5)**	–	**4.4**	(4.8)
Total net loss on disposal of businesses and asset write-downs		**(124.7)**	(6.8)	**(565.4)**	(5.0)	**(0.5)**	–	**(690.6)**	(11.8)
Severance and other staff-related costs		**(1.2)**	(5.3)	**(6.1)**	(4.5)	**–**	–	**(7.3)**	(9.8)
Other costs including advisory		**(0.2)**	(4.9)	**(2.2)**	(2.4)	**–**		**(2.4)**	(7.3)
Total restructuring-related costs	3.4	**(1.4)**	(10.2)	**(8.3)**	(6.9)	**–**	–	**(9.7)**	(17.1)
COVID-19 related costs	3.5	**(12.4)**	–	**(11.5)**	–	**(1.7)**	–	**(25.6)**	–
Total impairment, disposal and restructuring and COVID-19 related costs		**(138.5)**	(17.0)	**(585.2)**	(11.9)	**(2.2)**	–	**(725.9)**	(28.9)

3.1 Net loss on disposal of businesses and impairment of disposal groups held for sale

During October 2019, the Group completed the disposal of its non-core UK Food Solutions business within the Europe operating segment. As the €7.0m proceeds received, comprising €2.1m cash received and €4.9m lease liabilities disposed, net of associated transaction costs, was less than the €59.4m carrying value of the assets disposed, combined with a €8.8m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €61.2m was recognised.

Certain property assets relating to this business were retained by the Group and classified as assets held-for-sale at fair value less costs to sell of €12.4m, resulting in a gain of €5.4m through other comprehensive income in the revaluation reserve at H1 2020. The property was subsequently disposed of with net proceeds from disposal of €12.4m received.

During the period ended 27 July 2019, the Group disposed of non-core businesses in Europe, which had been accounted for as part of disposal groups held-for-sale at July 2018. As the €7.1m carrying value of the assets disposed exceeded the €3.1m proceeds received, net of associated transaction costs, combined with a €1m cumulative foreign

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

currency translation loss since the initial investment, a net loss on disposal of €5.0m was recognised, as detailed in note 4.

During the period ended 1 August 2020, a non-core business in North America was re-classified as a disposal group held-for-sale. A resulting impairment loss of €103.4m on re-measurement to fair value, less costs to sell, has been recognised, as detailed in note 4.

During the period ended 27 July 2019, the Group recognised an additional €2.0m loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

3.2 Impairment of goodwill and intangible assets

During the period ended 1 August 2020, the Group recorded goodwill impairment charges of €437.1m in the ARYZTA North America cash generating unit and €65.0m in the North West Europe cash generating unit. In addition, impairment charges of €28.3m were re-corded in respect of customer-related intangible assets in North America.

Further detail on this goodwill impairment is included in note 16 on page 146.

3.3 Impairment and disposal of fixed assets and investment property

During the period ended 1 August 2020, the Group realised a net gain on the disposal and impairment of various fixed assets and investment properties totalling €4.4m, primarily as a result of disposals in North America as part of the bakery rationalisation programme under Project Renew (2019: net loss of €4.8m).

3.4 Restructuring-related costs

During the period ended 1 August 2020, 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:

Severance and other staff-related costs

During the period ended 1 August 2020, the Group incurred €7.3m (2019: €9.8m) in severance and other staff-related costs. These costs primarily related to employees whose services were discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory

During the period ended 1 August 2020, the Group incurred €2.4m in costs related to bakery rationalisation and disposal transactions.

During the period ended 27 July 2019, the Group incurred €7.3m in costs related to the design and implementation of Project Renew across Europe and North America.

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3.5 COVID-19 related costs

COVID-19 related costs are costs arising due to the effect of the COVID-19 pandemic, including any government-imposed restrictions impacting consumer demand and the production processes, net of any directly related government support. These costs have been identified as quantifiable, distinguishable and separable from normal operations. As a result, in order to improve the transparency and usefulness of the financial information presented and improve year on year comparability, the group has presented €25.6m of COVID-19 related costs as outlined below.

Employee related costs & safety costs

Costs associated with furloughing employees, unplanned redundancy costs and other incidental labour related costs totalling €5.7m were recognised in the period. Costs associated with implementing safety measures across the Group's bakery network in response to the pandemic totalling €1.8m were incurred in the period. These identified costs are considered to be a one-off cost to the business adapting to the sudden impact of the above over a short period.

Inventory write offs and impairment of trade receivables

Costs include incremental inventory write offs and provisions for obsolescence arising from the impact of the COVID-19 and government-imposed restrictions. These are one off costs totalling €11.3m for packaging write offs as a result of production pauses and finished good write offs due to the short shelf life of certain products as the Group was required to reassess inventory levels.

Certain trade receivables which have been identified as no longer being recoverable due to the direct economic impact that the pandemic and related government restrictions have had on the counterparty have been identified as exceptional costs totalling €3.5m. These specific trade receivables identified are considered to be incremental to the level of expected credit losses on trade receivables.

Other COVID-19 incremental costs

Other COVID-19 incremental costs totalling €3.3m includes penalties incurred on cancellation of commodity contracts due to lower volumes and non-refundable travel and conference costs.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

4 Disposal groups held-for-sale

During the period ended 1 August 2020, the Group identified non-core businesses in North America, which historically generated approximately 11% of the annual revenues of the segment, for disposal. As plans for this disposal have been approved by the Board of Directors and are sufficiently progressed that they are considered highly probable to be completed within the next 12 months, the assets of these businesses have been accounted for as disposal group held-for-sale as of 25 January 2020.

As the €19.2m fair value less costs to sell of these businesses is less than the €122.6m carrying value of their combined net assets, a €103.4m loss on impairment of disposal groups held-for-sale has been recognised during the period ended 1 August 2020.

In accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the assets of the disposal groups classified as held-for-sale are presented separately from other assets in the Group Consolidated Balance Sheet as at 1 August 2020. Analysis of the disposal groups held-for-sale, including the loss recognised on the re-measurement of the assets of the disposal group to fair value less costs to sell, is as follows:

	2020 €m
Carrying value of net assets transferred to disposal groups held-for-sale	122.6
Loss on impairment of disposal groups held-for-sale	(103.4)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**

The assets of the disposal groups held-for-sale are as follows:

	2020 €m
Property, plant and equipment	43.9
Intangible assets	1.8
Inventory	13.7
Lease liabilities	(40.2)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**
Presented in assets of disposal groups held-for-sale	59.4
Presented in liabilities of disposal groups held-for-sale	(40.2)
Disposal groups held-for-sale at fair value less costs to sell	**19.2**

The fair value has been measured using inputs not observable within the market, and is therefore within level 3 of the fair value hierarchy. The transactions are expected to complete within one year from the date of classification as held-for-sale on 25 January 2020. A cumulative €5m foreign currency translation gain on net investment, related to these disposal groups, has been recognised through other comprehensive income since initial investment, and remains in foreign currency translation reserve as of 1 August 2020. This amount will be recalculated upon eventual completion of the transaction and will be recycled from other comprehensive income into the income statement upon disposal.

During the period ended 27 July 2019, the Group disposed of both businesses which had been accounted for as part of disposal groups held-for sale at July 2018. As the €7.1m carrying value of the assets disposed exceeded the €3.1m proceeds received, net of associated transaction costs, combined with a €1.0m cumulative foreign currency translation loss since the initial investment, a net loss on disposal of €5.0 was recognised.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

5 Financing income and costs

	2020 €m	2019 €m
Financing income		
Total financing income recognised in Group Consolidated Income Statement	**7.3**	4.5
Financing costs		
Interest cost on bank loans and overdrafts	**(38.3)**	(55.1)
Interest cost on lease liabilities	**(11.6)**	-
Defined benefit plan: net interest cost on plan liabilities (note 25)	**-**	(0.1)
Total financing costs recognised in Group Consolidated Income Statement	**(49.9)**	(55.2)
Recognised directly in other comprehensive income		
Fair value of interest rate swaps transferred to income statement	**-**	0.4
Total financing gain recognised directly in other comprehensive income	**-**	0.4

6 Other information

Group Consolidated Income statement by nature of cost through to operating profit	2020 €m	2019 €m
Revenue	**2,930.9**	3,383.4
Raw materials and consumables used	**(1,397.8)**	(1,635.7)
Employment costs (note 8)	**(722.5)**	(779.4)
Storage and distribution costs	**(228.0)**	(248.4)
Amortisation of intangible assets (note 2)	**(139.1)**	(152.7)
Depreciation of property, plant and equipment (note 2)	**(168.6)**	(120.8)
Light, heat and power	**(79.3)**	(86.0)
Operating lease rentals	**(7.0)**	(69.5)
Repairs and maintenance	**(56.5)**	(55.8)
Advertising and marketing	**(30.7)**	(36.3)
Research and development	**(10.7)**	(12.3)
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 2)	**(164.6)**	(7.0)
Impairment of goodwill (note 3)	**(502.1)**	-
Impairment of intangibles (note 3)	**(28.3)**	-
Asset disposals and impairments (note 3)	**4.4**	(4.8)
Other restructuring-related costs (note 3)	**(2.4)**	(7.3)
COVID-19 related costs (note 3)	**(25.6)**	-
Other direct and indirect costs	**(145.5)**	(162.3)
Operating (loss)/profit	**(773.4)**	5.1

Group revenue categories

Group revenue relates primarily to sale of products.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

7 Directors' compensation

Please refer to the ARYZTA AG Compensation Report on pages 64 to 82 for details on the compensation process and compensation for the period of Directors and Group Executive Management. Also see compensation of key management disclosure as included in note 29.

8 Employment

Average number of persons employed by the Group during the period by function	2020	2019
Production	**11,296**	12,846
Sales and distribution	**2,722**	3,157
Management and administration	**1,195**	1,266
Average number of persons employed	**15,213**	17,269

Average number of persons employed by the Group during the period by region	2020	2019
Europe	**7,566**	8,835
North America	**5,589**	6,256
Rest of World	**2,058**	2,178
Total Group	**15,213**	17,269

Employment costs of the Group	2020 €m	2019 €m
Wages and salaries	**627.0**	676.3
Social welfare costs	**72.2**	74.0
Severance and other staff-related costs (note 3)	**7.3**	9.8
Defined contribution plans (note 25)	**12.9**	13.5
Defined benefit plans - current service cost (note 25)	**3.6**	3.3
Share-based payments (note 9)	**(0.5)**	2.5
Employment costs	**722.5**	779.4

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

9 Share-based payments

The Group has equity-based incentive awards outstanding under various ARYZTA Long-Term Incentive Plans ('LTIPs'). In addition, as detailed in the Compensation Report, since the November 2018 AGM, non-executive members of the Board of Directors have been compensated in the form of restricted shares or Restricted Stock Units ('RSUs') in respect of 40% of their fixed annual fees.

As the Group has no legal or constructive obligation to repurchase or settle the awards in cash, the equity instruments granted under these LTIPs are equity-settled share-based payments, as defined in IFRS 2 'Share-based Payment'.

During the period ended 1 August 2020, the Group granted additional options and Performance Share Units ('PSUs') to Group Executives and other members of senior management. Vesting of these awards is conditional on achievement of EBITDA and ROIC targets during the associated performance periods ending in 2020, 2021 and 2022, as well as continued employment throughout the respective performance periods. Further details are set out on pages 75 to 77 in the Compensation Report.

The number of awards granted during the period, as included in the respective tables below, represents the target number of awards that could potentially vest. The actual vesting level will be determined based on the level of performance achieved during the applicable vesting period and applying the corresponding vesting multiple, ranging between 0 and 2.0, to the number of awards received by each participant.

The total cost reported in the Group Consolidated Income Statement in relation to equity-settled share-based payments is (€0.5m) (2019: €2.5m). Of this (€0.5m), €1.4m consists of a current period charge and a (€1.9m) relates to a prior period release relating to costs associated with vesting targets that were not met. The analysis of movements within the LTIP plans is as follows:

9.1 Options and option equivalents

Option Equivalent Plan awards	**Weighted conversion price 2020 in CHF**	**Number of equity entitlements 2020**	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019[1]
Outstanding at beginning of the period	**2.53**	**26,411,366**	39.20	1,560,500
Granted during the period	**1.06**	**464,067**	1.08	19,133,076
Modified during the period	**-**	**-**	-	5,777,930
Forfeited during the period	**5.41**	**(4,264,665)**	1.08	(60,140)
Outstanding at the end of the period	**2.62**	**22,610,768**	2.53	26,411,366
Vested at end of the period	**8.57**	**4,646,183**	8.34	7,338,430

1 The number of awards granted during 2019 were presented as the maximum number of awards that could potentially vest. This has been presented as the target number of awards that could potentially vest in the above table to maintain consistent presentation with the Compensation Report.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Option Equivalent Plan awards outstanding by conversion price	Conversion price in CHF	Number of equity entitlements	Actual remaining life (years)
Issued during financial period 2012	8.50	**4,420,458**	**1.2**
Issued during financial period 2013	9.93	**225,725**	**2.3**
Issued during financial period 2019 - Dec 2018	1.08	**17,500,518**	**8.4**
Issued during financial period 2020 - Nov 2019	1.06	**464,067**	**8.4**
As of 1 August 2020	2.62	**22,610,768**	**6.9**

As disclosed on page 66 of the 2019 Compensation Report, the Remuneration Committee approved the decision to award one member of Executive Management an LTIP award equivalent to the value of two thirds of the FY18 LTIP. The weighted average fair value associated with option and option equivalent awards issued was CHF 0.37 which was determined using the Black-Scholes valuation model. The significant inputs into the model were the CHF 1.06 share price as at the grant date and the equivalent exercise price, an expected option life of 2.8 years, an expected volatility of 55.4%, an expected dividend yield of 0.0% and a risk-free rate of (0.8)%. No other options were awarded during the period.

The weighted average fair value associated with option and option equivalent awards issued during FY 2019 was CHF 0.40 which was determined using the Black-Scholes valuation model. The significant inputs into the model were the CHF 1.08 share price as at the grant date and the equivalent exercise price, an expected option life of 4.2 years, an expected volatility of 49.6%, an expected dividend yield of 0.0% and a risk-free rate of (0.6)%.

As the performance conditions associated with the option awards granted during financial periods 2010 and 2011 were not met, these awards were forfeited during the period ended 1 August 2020. Awards relating to the FY 2018 and FY 2019 LTIP were forfeited as certain employees exited the business before the vesting period ended. The vested option awards still outstanding as of 1 August 2020 can be exercised no later than ten years after grant date.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

9.2 Performance Share Units and Restricted Stock Units

Restricted Stock Unit and Performance Share awards outstanding	Weighted conversion price 2020 in CHF	Number of equity entitlements 2020	Weighted conversion price 2019 in CHF	Number of equity entitlements 2019[1]
Outstanding at beginning of the period	**0.00**	**13,054,623**	0.00	90,281
Granted during the period	**0.00**	**15,299,880**	0.00	13,098,422
Modified during the period	–	–	0.00	20,241
Exercised during the period	**0.00**	**(25,684)**	0.00	(84,815)
Forfeited during the period	**0.00**	**(1,640,431)**	0.00	(69,506)
Outstanding at the end of the period	**0.00**	**26,688,388**	0.00	13,054,623
Vested at end of the period	–	–	–	–

1 The number of awards granted during 2019 were presented as the maximum number of awards that could potentially vest. This has been presented as the target number of awards that could potentially vest in the above table to maintain consistent presentation with the Compensation Report.

Restricted Stock Unit and Performance Share awards outstanding by conversion price	Actual remaining life (years)	Conversion price in CHF	Number of equity entitlements
Issued during financial period 2019 - Dec 2018	8.4	-	**11,964,141**
Issued during financial period 2020 - Oct 2019	9.1	-	**14,420,411**
Issued during financial period 2020 - Nov 2019	8.4	-	**174,976**
Issued during financial period 2020 - Jan 2020	1.3	-	**128,860**
As of 1 August 2020	8.7	-	**26,688,388**

During the period ended 1 August 2020, the performance conditions associated with 25,684 RSUs were fulfilled. Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 0.80.

During the period ended 27 July 2019, the performance conditions associated with 84,815 RSUs were fulfilled. Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 10.33.

As disclosed on page 66 of the 2019 Compensation Report, the Remuneration Committee approved the decision to award one member of Executive Management an LTIP award equivalent to the value of two thirds of the FY 2018 LTIP. The fair value assigned to the PSU issued to this executive was CHF 1.06 which represents the full value of an ordinary share on the grant date.

The weighted average fair value assigned to PSUs issued during the period ended 1 August 2020 was CHF 0.89, which represents the full value of an ordinary share on the grant date, as the exercise price associated with these awards is Nil and the expected dividend yield was 0.0%.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

10 Income taxes

Income tax credit/((charge)	2020 €m	2019 €m
Current tax charge	**(21.8)**	(26.2)
Deferred tax credit (note 24)	**27.3**	15.0
Income tax credit/(charge)	**5.5**	(11.2)

Reconciliation of average effective tax charge to applicable tax charge	2020 €m	2019 €m
Loss before income tax	**(1,097.0)**	(18.0)
Less share of profit after interest and tax of joint ventures	**(16.1)**	(27.6)
Loss before tax and before share of profit of joint ventures	**(1,113.1)**	(45.6)
Income tax on loss for the period at 20.83% (2019: 21.2%)[1]	**231.9**	9.7
Income/(expenses) not taxable/(deductible) for tax purposes	**(185.0)**	3.1
Income subject to other rates of tax	**(10.3)**	(3.9)
Excess deferred tax assets not recognised / derecognised	**(33.3)**	(20.8)
Impact of impairment in group subsidiaries	**4.3**	-
Change in estimates and other prior period adjustments:[2]		
– Current tax	**(0.3)**	0.6
– Deferred tax	**(1.8)**	0.1
Income tax credit /(charge)	**5.5**	(11.2)

Income tax recognised in other comprehensive income	2020 €m	2019 €m
Relating to foreign exchange translation effects	**(4.4)**	(0.1)
Relating to cash flow hedges	**-**	-
Relating to Group employee benefit plans actuarial (gains)/losses (note 25)	**(0.1)**	0.2
Tax recognised directly in other comprehensive income	**(4.5)**	0.1

1 20.83% is the standard rate of income tax applicable to trading profits in Zurich, Switzerland.

2 including initial recognition of future tax on undistributed retained earnings of foreign subsidiaries

11 Proposed dividend

No dividend is planned to be proposed for the period ended 1 August 2020. No dividend was proposed or paid for the period ended 27 July 2019.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

12 Earnings per share

Basic loss per share	2020 €m	2019 €m
Loss attributable to equity shareholders	**(1,091.5)**	(29.2)
Hybrid instrument dividend (note 26)	**(46.1)**	(38.9)
Loss used to determine basic EPS	**(1,137.6)**	(68.1)

Weighted average number of ordinary shares	2020 in Millions	2019 in Millions
Ordinary shares outstanding at start of period[1]	**990.6**	89.9
Effect of exercise of equity instruments	**–**	0.1
Release of treasury shares as restricted shares	**0.3**	0.2
Effect of bonus issue relating to rights issue[2]	**–**	328.0
Effect of paid-in shares issued relating to rights issue[2]	**–**	404.4
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6

Basic loss per share	**(114.8) cent**	(8.3) cent

Diluted loss per share	2020 €m	2019 €m
Loss used to determine basic EPS	**(1,137.6)**	(68.1)

Weighted average number of ordinary shares (diluted)	2020 in Millions	2019 in Millions
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Effect of equity-based incentives with a dilutive impact[3]	**–**	–
Weighted average ordinary shares used to determine diluted EPS	**990.9**	822.6

Diluted loss per share	**(114.8) cent**	(8.3) cent

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

2 2019 comparative movements before the rights issue in November 2018 restated to include the effect of the bonus issue of shares incorporated in the rights issue.

3 In accordance with IAS 33, 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 impacts related to the conversion of equity-based incentives would decrease the loss per share for the periods ended 1 August 2020 and 27 July 2019, no dilutive effect was taken during these periods.

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 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.

As shown below, for purposes of calculating this measure, the Group adjusts the loss used to determine basic EPS by the following items and their related tax impacts:

- excludes intangible amortisation, except ERP intangible amortisation; and
- excludes impairment, disposal, restructuring and COVID-19 related costs.

Underlying diluted earnings per share	2020 €m	2019 €m
Loss used to determine basic EPS	**(1,137.6)**	(68.1)
Amortisation of non-ERP intangible assets (note 2)	**122.9**	135.9
Tax on amortisation of non-ERP intangible assets (note 24)	**(35.1)**	(27.3)
Share of JV intangible amortisation and restructuring costs, net of tax (note 17)	**2.3**	(0.1)
Net loss on disposal of joint venture (note 17)	**297.1**	–
Net loss on disposal of businesses and impairment of disposal groups held for sale (note 3)	**164.6**	7.0
Impairment of goodwill (note 16)	**502.1**	–
Impairment of intangibles (note 16)	**28.3**	–
(Gain)/loss of sale and impairment of fixed assets and investment property (note 3)	**(4.4)**	4.8
Restructuring-related costs (note 3)	**9.7**	17.1
COVID-19 related costs (note 3)	**25.6**	–
Tax on net impairment, disposal, restructuring and COVID-19 related costs	**6.5**	5.0
Underlying net (loss)/profit	**(18.0)**	74.3
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Underlying basic earnings per share	**(1.8) cent**	9.0 cent
Weighted average ordinary shares used to determine basic EPS	**990.9**	822.6
Effect of equity-based incentives with a dilutive impact[1]	**–**	0.1
Weighted average ordinary shares used to determine underlying diluted EPS	**990.9**	822.7
Underlying diluted earnings per share	**(1.8) cent**	9.0 cent

1 In accordance with IAS 33, 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 impacts related to the conversion of equity-based incentives would decrease the loss per share for the period ended 1 August 2020, no dilutive effect was taken during this period.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

13 Property, plant and equipment

	Land and buildings €m	Plant and Machinery €m	Motor Vehicles €m	Assets under construction €m	Right-of-use leased assets €m	Total €m
Net book value at 28 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**-**	**1,248.8**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	(0.4)	-	292.6	292.2
Adjusted balance at 28 July 2019	**424.9**	**770.3**	**1.6**	**51.6**	**292.6**	**1,541.0**
Additions	2.0	19.4	-	71.8	9.0	102.2
Transfer from assets under construction	7.2	69.6	0.1	(76.9)	-	-
Disposals as part of business disposals	-	(1.3)	-	(1.2)	(4.9)	(7.4)
Transfer to disposal groups classified as held-for-sale	(11.8)	(27.4)	-	-	(45.1)	(84.3)
Asset impairments (note 3)	0.2	(0.7)	-	(0.5)	(1.2)	(2.2)
Asset disposals	(1.9)	(2.1)	(0.1)	(0.8)	-	(4.9)
Transfer to investment properties (note 15)	(6.4)	(0.6)	-	-	-	(7.0)
Depreciation charge for period	(15.4)	(107.0)	(0.5)	-	(45.7)	(168.6)
Reclassifications	(0.2)	0.2	-	-	-	-
Translation adjustments	(12.4)	(26.2)	(0.1)	(3.2)	(3.5)	(45.4)
Net book value at 1 August 2020	**386.2**	**694.2**	**1.0**	**40.8**	**201.2**	**1,323.4**
At 1 August 2020						
Cost	479.3	1,385.6	3.0	40.8	241.4	2,150.1
Accumulated depreciation	(93.1)	(691.4)	(2.0)	-	(40.2)	(826.7)
Net book value at 1 August 2020	**386.2**	**694.2**	**1.0**	**40.8**	**201.2**	**1,323.4**

	Land and buildings €m	Plant and Machinery €m	Motor Vehicles €m	Assets under construction €m	Total €m
Net book value at 29 July 2018	**439.1**	**768.0**	**3.1**	**33.5**	**1,243.7**
Additions	1.5	32.5	0.2	79.1	113.3
Transfer from assets under construction	7.0	55.3	0.2	(62.4)	0.1
Asset impairments (note 3)	(2.8)	(2.0)	-	(0.1)	(4.9)
Asset disposals	-	(1.5)	(0.4)	(0.1)	(2.0)
Transfer to investment properties (note 15)	-	-	-	-	-
Depreciation charge for period	(16.6)	(103.3)	(0.9)	-	(120.8)
Reclassifications	(7.4)	7.4	-	-	-
Translation adjustments	4.1	13.9	(0.2)	1.6	19.4
Net book value at 27 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**1,248.8**
At 27 July 2019					
Cost	538.5	1,445.9	5.3	51.6	2,041.3
Accumulated depreciation	(113.6)	(675.6)	(3.3)	-	(792.5)
Net book value at 27 July 2019	**424.9**	**770.3**	**2.0**	**51.6**	**1,248.8**

Notes to the Group Consolidated Financial Statements (continued)
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14 Leases

The Group adopted IFRS 16 Leases with effect from 28 July 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease liability and a right-of-use leased asset on the Group's Balance Sheet. The Group recognised right-of-use assets of €292.6m and lease liabilities of €321.0m. The difference related to sub-leased assets of €22.0m, onerous lease provisions of €1.8m and accruals and prepaids of €4.4m which were adjusted against the right-of-use assets balance as of date of transition. The Group recorded an adjustment to retained earnings of €0.1m.

Outstanding lease liabilities have been recognised at 28 July 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments, subleased assets, lease incentives and provisions for onerous leases.

The movement in the Group's right-of-use leased assets during the period is as follows:

	Land and Buildings €m	Plant and Machinery €m	Motor Vehicles €m	Total €m
At 27 July 2019, net carrying amount	–	–	–	–
Effect of adopting IFRS 16	239.5	15.2	37.9	292.6
Net additions	2.5	2.0	4.5	9.0
Arising on disposal of business, net carrying amount	(0.6)	(0.5)	(3.8)	(4.9)
Arising on disposal group held-for-sale	(42.8)	(2.3)	–	(45.1)
Depreciation charge for the period	(28.3)	(5.4)	(12.0)	(45.7)
Impairment of leased assets	(1.2)	–	–	(1.2)
Translation adjustment	(3.4)	(0.2)	0.1	(3.5)
At 1 August 2020, net carrying amount	**165.7**	**8.8**	**26.7**	**201.2**

Lease Liabilities

The movement in the Group's lease liabilities during the period is as follows:

	2020 €m
At 27 July 2019	**0.3**
Effect of adopting IFRS 16	321.0
Net additions	9.0
Arising on disposal of business, net carrying amount	(4.9)
Payments	(59.5)
Discount unwinding	11.6
Translation adjustment and other	(9.0)
At 1 August 2020	**268.5**
Presented in non-current interest bearing loans and borrowings	188.2
Presented in current interest bearing loans and borrowings	40.1
Presented in liabilities of disposal groups held-for-sale (note 4)	40.2
At 1 August 2020	**268.5**

Notes to the Group Consolidated Financial Statements (continued)
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Undiscounted lease liabilities

The table below shows analysis of the maturity profile of the undiscounted lease liabilities arising from the Group's leasing activities as at 1 August 2020. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period:

Undiscounted	2020 €m
Within one year	53.2
Between one and two years	44.0
Between two and three years	36.1
Between three and four years	31.8
Between four and five years	27.9
Over five years	136.2
Total	**329.2**

Short term, low value and wholly variable leases

The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

Charge for the period	2020 €m
Short term leases	5.3
Leases of low value assets	0.7
Wholly variable lease payments	1.0
Total	**7.0**

Future possible cash outflows not included in the lease liability

Some leases contain break clauses or extension options to provide operational flexibility. Potential future undiscounted lease payments not included in the reasonably certain lease term, and therefore not included in lease liabilities, total €239.8m. Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect.

The Group is committed to payments totalling €23.5m in relation to leases that have been signed but not yet commenced.

Group as lessor

As of 1 August 2020, the Group has recognised €18.5m of receivables for the net investment in leases where the Group is the lessor on sub-leased land and buildings, and the leases have been accounted for as finance leases under IFRS 16. These are presented in other receivables in the Group Consolidated Balance Sheet. Of this total, €2.2m is due within one year, and €16.3m is due after more than one year.

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The table below shows analysis of the maturity profile of the undiscounted net investment in finance leases arising from the Group's leasing activities as at 1 August 2020. The projections are based on the foreign exchange rates applicable at the end of the relevant financial period:

Undiscounted	**€m**
Within one year	3.4
Between one and two years	2.7
Between two and three years	2.7
Between three and four years	2.8
Between four and five years	2.8
Over five years	12.7
Total	**27.1**

15 Investment properties

	2020 €m	2019 €m
Balance at beginning of period	**12.2**	14.6
Transfer from property, plant and equipment (note 13)	**7.0**	-
Fair value adjustments	**5.4**	-
Disposals	**(18.2)**	(2.9)
Translation adjustment	**-**	0.5
Balance at end of period	**6.4**	12.2

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

During the period ended 1 August 2020, land and building assets that were no longer in operational use were transferred to investment property. The property was located in the ARYZTA Europe segment, and had a carrying value of €7.0m at the date of transfer. A net gain of €5.4m on revaluation of these assets to estimated fair value on transfer to investment property was recognised through other comprehensive income within the revaluation reserve.

During the period ended 1 August 2020, a number of properties in the ARYZTA Europe and ARYZTA Rest of World segments were disposed for net cash consideration of €17.4m. As the proceeds received were less than the €18.2m carrying value of the assets, these transactions resulted in a loss on disposal of €0.8m. On disposal of these assets, the €5.4m gain that had been recognised within the revaluation reserve within equity was transferred to retained earnings.

During the period ended 27 July 2019, land in the ARYZTA Europe segment was disposed for net cash consideration of €3.5m. As the proceeds received exceeded the €2.9m carrying value of the assets, this transaction resulted in a gain on disposal of €0.6m. No fair value adjustments were recorded to investment properties during the period 27 July 2019.

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The carrying value of investment properties at fair value has been determined based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions and status of planned disposals, and were performed by independent valuation experts holding recognised and relevant qualifications. The fair values of investment properties are considered a Level 3 fair value measurement. Rental income and operating expenses recognised related to these properties is not significant.

16 Goodwill and intangible assets

	Goodwill €m	Customer Relationships €m	Brands €m	Computer-related €m	ERP-related intangibles €m	Patents and other €m	Total €m
Net book value at 28 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**
Additions	–	–	–	4.3	–	–	4.3
Impairment of goodwill (note 3)	(502.1)	–	–	–	–	–	(502.1)
Asset impairments	–	(28.3)	–	–	–	–	(28.3)
Disposals as part of business disposals (note 3)	(45.4)	–	–	(0.2)	(5.4)	–	(51.0)
Disposal groups classified as held-for-sale (note 4)	(65.0)	–	–	(0.1)	(3.4)	–	(68.5)
Amortisation charge for the period	–	(91.5)	(24.7)	(3.7)	(16.2)	(3.0)	(139.1)
Translation adjustments	(22.2)	(11.8)	(0.9)	(0.4)	(1.1)	(0.1)	(36.5)
Net book value at 1 August 2020	**823.4**	**181.0**	**16.6**	**15.6**	**102.5**	**4.0**	**1,143.1**
At 1 August 2020							
Cost	823.4	723.4	178.6	40.8	187.6	8.3	1,962.1
Accumulated amortisation	–	(542.4)	(162.0)	(25.2)	(85.1)	(4.3)	(819.0)
Net book value at 1 August 2020	**823.4**	**181.0**	**16.6**	**15.6**	**102.5**	**4.0**	**1,143.1**

	Goodwill €m	Customer Relationships €m	Brands €m	Computer-related €m	ERP-related intangibles €m	Patents and other €m	Total €m
Net book value at 29 July 2018	**1,414.0**	**404.8**	**69.2**	**16.5**	**144.1**	**9.1**	**2,057.7**
Additions	-	-	-	2.7	0.4	-	3.1
Asset impairments/disposals	-	-	-	(0.5)	(0.1)	-	(0.6)
Amortisation charge for the period	-	(100.9)	(29.2)	(3.6)	(16.8)	(2.1)	(152.6)
Translation adjustments	44.1	8.7	2.2	0.6	1.0	0.1	56.7
Net book value at 27 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**
At 27 July 2019							
Cost	1,458.1	1,002.1	233.2	42.6	199.8	15.6	2,951.4
Accumulated amortisation	-	(689.5)	(191.0)	(26.9)	(71.2)	(8.5)	(987.1)
Net book value at 27 July 2019	**1,458.1**	**312.6**	**42.2**	**15.7**	**128.6**	**7.1**	**1,964.3**

Goodwill Impairment testing

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

The Group tests goodwill for impairment annually, during the last quarter of the financial period, or more frequently if changes in circumstances indicate a potential impairment.

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The business units shown in the following table represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, this is also the level at which the 2020 goodwill impairment testing was performed. The carrying amount of goodwill allocated to the relevant CGUs, as well as the key assumptions used in the 2020 impairment testing, are summarised as follows:

	Pre-tax discount rate 2020	Pre-tax discount rate 2019	**Projection period 2020**	Projection period 2019	**Terminal growth rate 2020**	Terminal growth rate 2019	**Carrying Value 2020 €m**	Carrying Value 2019 €m
North West Europe[1]	**8.7%**	8.0%	**5 years**	3 years	**1.8%**	2.0%	**63.2**	173.4
Germany and Other Europe	**9.3%**	8.3%	**5 years**	3 years	**2.1%**	2.1%	**89.1**	90.3
Switzerland	**7.1%**	6.7%	**5 years**	3 years	**0.7%**	1.0%	**246.1**	240.4
France	**9.0%**	8.4%	**5 years**	3 years	**1.8%**	1.9%	**85.4**	85.4
ARYZTA Europe							**483.8**	589.5
ARYZTA North America	**8.6%**	8.5%	**5 years**	3 years	**2.0%**	2.2%	**294.1**	816.9
ARYZTA Rest of World	**11.2%**	9.9%	**5 years**	3 years	**2.5%**	2.5%	**45.5**	51.7
							823.4	1,458.1

1 The North West Europe CGU comprises businesses in Ireland, Netherlands and Denmark in the 2020 test, and previously included the UK until the disposal of the UK Food Solutions business during the period ended 1 August 2020.

The recoverable amounts of CGUs 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 CGU 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 periods calculated using a terminal value methodology and discounted using the relevant rate, as disclosed in the table above.

Impairment during the period ended 1 August 2020

As disclosed in the FY 2019 Annual Report, the recoverable amount of the ARYZTA North America CGU was sensitive to unfavourable changes in key assumptions, and as a result the Group was required to test the CGU for impairment at H1 2020. This test for impairment resulted in goodwill impairment charges of €437.1m being recorded in the Group Consolidated Income Statement as of January 2020. Current period profitability has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. Given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. While profitability is expected to improve in the future, after considering goodwill and other assets within this location, as well as the respective future cash flow projections, management determined it was appropriate to record these goodwill impairment charges during the current period.

The North West Europe CGU comprises businesses in Ireland, the Netherlands and Denmark. As disclosed in the H1 2020 Interim Report and FY 2019 Annual Report, the recoverable amount of this CGU was sensitive to unfavourable changes in key assumptions such as future revenue, profitability, and an increase in the discount rate or a

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

decrease in the terminal growth rate. A significant part of the manufacturing business in Ireland hinges on exports to the UK market and the projections for this business have been negatively impacted by an increasing likelihood of trade tariffs related to Brexit in the short and medium term. Furthermore, the challenging trading conditions in the Foodservice channel following the continued government restrictions on working from home and travel within Ireland have resulted in a reduction in the cash flow projections for this CGU. In addition to these reduced projections, an increase in the discount rate of 70bps compared to the prior period has further reduced the recoverable amount in FY 2020. As the recoverable amount of the CGU is lower than its carrying value, a goodwill impairment of €65.0m has been recorded in the period ended 1 August 2020.

Goodwill sensitivity analysis

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 CGU, which would result in an impairment. Key assumptions include management's estimates of the terminal growth rate, the discount rate, future revenue and profitability.

The terminal growth rates used approximate relevant long-term inflation rates and industry growth trends within each CGU. The discount rates used are based on the relevant risk-free rates, adjusted to reflect the risk associated with the respective future cash flows of that CGU.

Based on the results of the impairment testing undertaken, with the exception of the North West Europe, Germany and Other Europe, and ARYZTA North America CGUs, sufficient headroom exists for the other CGUs, such that any reasonably possible movement in any of the underlying assumptions, including a reduction in the terminal growth rate by 1.0%, or increasing the discount rate by 1.0%, would not give rise to an impairment charge.

The headroom of the recoverable amounts of the North West Europe, Germany and Other Europe, and ARYZTA North America CGUs over the respective carrying amounts at 1 August 2020 is summarized in the table below, as well as the amounts by which the key assumptions would need to change, in isolation, such that the recoverable amounts would equal the carrying values of the CGUs. As the goodwill in the North West Europe CGU was written down to recoverable value at 1 August 2020, there is no headroom over carrying value of this CGU at period end, and the recoverable value of the CGU is sensitive to any unfavourable changes in the key assumptions used.

in EUR million	Headroom over carrying value	Pre-tax discount rate allowable movement	Terminal growth rate allowable movement
North West Europe	€0m	0.0%	(0.0%)
Germany and Other Europe	€90m	+1.0%	(1.1%)
ARYZTA North America	€71m	+0.7%	(0.7%)

An illustration of the sensitivities to reasonably possible changes in key assumptions at 1 August 2020, in isolation, are as follows:

	North West Europe		Germany and Other Europe		ARYZTA North America	
in EUR million	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Pre-tax discount rate	(36)	48	(91)	114	(102)	139
Terminal growth rate	49	(34)	119	(83)	146	(99)

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Revenue is projected to grow over the plan period in line with industry growth projections, consistent with external market data, with further assumed improvements in annual Underlying EBITDA across the plan period. A decrease of 1% in the revenue compound annual growth rate across the projection period within the North West Europe CGU would result in a shortfall in the value-in-use model under carrying value of €22m. A reduction in Underlying EBITDA realised of 5% per annum across the projection period within the North West Europe CGU would result in a shortfall in the value-in-use model under carrying value of €24m.

A decrease of 1% in the revenue compound annual growth rate across the projection period, or a reduction in Underlying EBITDA realised of 5% per annum across the projection period within the Germany and Other Europe CGU would not result in an impairment.

A decrease of 1% per annum across the projection period within the ARYZTA North America CGU would not result in an impairment. A reduction in Underlying EBITDA realised of 5% per annum across the projection period within the ARYZTA North America CGU would result in a shortfall in the value-in-use model under carrying value of €3m.

Intangible asset movements
During the period ended 1 August 2020, €59.4m of net assets were de-recognised in relation to the disposal of a business in Europe. These included €51.0m of intangible assets, of which €45.4m related to goodwill, and €5.6m related to software.

As set out in note 4, during the period ended 1 August 2020, €122.6m of assets related to a business in North America were transferred to disposal groups held-for-sale. These included €68.5m of intangible assets, of which €65.0 related to goodwill and €3.5m related to software.

As outlined above, during the period ended 1 August 2020, current period profitability in the ARYZTA North America CGU has been impacted by volume declines associated with challenges in the market, while operational margin has been compressed due to costs associated with commissioning and optimisation of the bakery network. In addition, COVID-19 has had a significant impact in the second half of the period on certain customers and channels within the North America business.

While overall trading conditions and profitability are expected to improve, given these difficult trading conditions, management feel it is appropriate to revise downwards its mid-term projections as the optimisation of the North America bakery network and the return to revenue growth is expected to be at a slower pace than had originally been planned. Based on these reduced projections, the Group has identified and reviewed certain customer relationship intangible assets in the Foodservice and Retail channels whose recoverable amounts are lower than the carrying value at period end 1 August 2020, and has recognised an impairment of €28.3m on these assets in the period, within administration expenses in the Group Consolidated Income Statement. The value-in-use models used to determine the recoverable amounts of these intangible assets were based on management's expectations of the respective future revenues from the acquired customer relationships and brands and applied a discount rate consistent with the rate used in the 2020 ARYZTA North America CGU goodwill impairment testing.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

17 Investments in joint ventures

The Group share of joint ventures' net assets is as follows:

	2020 €m	2019 €m
At beginning of period	**447.7**	420.1
Share of joint ventures' underlying net profit	**18.4**	27.6
Group share of intangible amortisation	**(1.7)**	(3.2)
Group share of tax on intangible amortisation and associated rate adjustments	**0.8**	6.3
Group share of restructuring-related costs	**(1.4)**	(0.2)
Loss on dilution of investment in joint venture	**–**	(2.9)
Disposal of investment in joint venture	**(463.8)**	–
At end of period	**–**	447.7

ARYZTA owned a 47.8% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food, located primarily in France. While ARYZTA held only a minority shareholding and voting rights in Picard, the Group was 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 was presented as a joint venture.

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43% of its 48% holding in Picard for gross consideration of €155.9m, of which €145.9m was received during the period ended 1 August 2020. The Group ceased to have joint control during January 2020. Proceeds net of transaction costs of €139.9m have been recorded in the Group Consolidated Cash Flow Statement. The remaining €10.0m consideration has been recorded as a Vendor Loan Note receivable as of 1 August 2020, which was received in October 2020. ARYZTA retains a 4.6% interest in Picard, recorded as a financial investment at fair value. As the total estimated proceeds net of transaction costs payable of €149.9m and the fair value of the remaining stake held of €16.8m, are less than the €463.8m carrying value of the investment in joint venture disposed of, the transaction resulted in a loss on disposal in the amount of €297.1m.

The Group's remaining 4.6% equity investment is presented as a financial asset at fair value through income statement in the Group Consolidated Balance Sheet. The fair value has been measured using inputs not observable within the market, and is therefore within level 3 of the fair value hierarchy.

The amounts included in these Group consolidated financial statements in respect of the current year profits or losses of joint ventures are taken from the latest financial statements, prepared up to their respective year-ends, together with management accounts for the intervening periods to the Group's year-end or to the date of disposal. Picard has a year-end of 31 March.

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

	Picard 2020 €m	Picard 2019 €m
Cash and cash equivalents	-	106.4
Other current assets	-	146.7
Total current assets	**-**	**253.1**
Total non-current assets	**-**	**1,895.8**
Trade and other payables	-	(221.9)
Other current liabilities	-	(6.4)
Total current liabilities	**-**	**(228.3)**
Total non-current liabilities	**-**	**(1,781.1)**
Balance at end of period	**-**	**139.5**
ARYZTA's share in %	-	47.8%
ARYZTA's share thereof	-	66.7
Goodwill	-	381.0
Investment in joint ventures	**-**	**447.7**

The share of revenues and results of joint ventures during the periods ended 1 August 2020 and 27 July 2019 are as follows:

	Picard 2020 €m	ARYZTA's 48% share thereof 2020	Picard 2019 €m	ARYZTA's 48% share thereof 2019
Revenue	**822.6**		1,422.8	
Underlying EBITDA	**121.3**		194.4	
Depreciation	**(15.0)**		(30.8)	
Underlying EBITA	**106.3**		163.6	
Finance costs, net	**(28.6)**		(57.4)	
Pre-tax profits	**77.7**		106.2	
Income tax	**(39.3)**		(48.5)	
Joint venture underlying net profit	**38.4**	**18.4**	57.7	27.6
Intangible amortisation	**(3.5)**	**(1.7)**	(6.7)	(3.2)
Tax on intangible amortisation and associated rate adjustments	**1.7**	**0.8**	13.3	6.3
Restructuring-related costs	**(2.8)**	**(1.4)**	(0.4)	(0.2)
Loss on dilution of investment in joint venture		**-**		(2.9)
Profit after tax	**33.8**	**16.1**	63.9	27.6
Gains through other comprehensive income	**-**	**-**	0.1	-
Total comprehensive income	**33.8**	**16.1**	64.0	27.6

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18 Inventory

	2020 €m	2019 €m
Raw materials	**35.4**	42.3
Finished goods	**118.2**	200.9
Packaging and other	**11.4**	4.1
Balance at end of period	**165.0**	247.3

During the period ended 1 August 2020, a total expense of €20.9m (2019: €19.8m) was recognised in the Group Consolidated Income Statement arising from write-down of inventory.

19 Trade and other receivables

	2020 €m	2019 €m
Non-current		
Other receivables (note 14)	**16.3**	–
Balance at end of period	**16.3**	–
Current		
Trade receivables, net	**122.4**	67.9
VAT recoverable	**18.0**	17.8
Prepayments	**29.7**	31.4
Other receivables	**26.6**	37.3
Vendor loan note (note 17)	**10.0**	–
Balance at end of period	**206.7**	154.4

20 Trade and other payables

	2020 €m	2019 €m
Non-current		
Other payables	**35.6**	45.9
Balance at end of period	**35.6**	45.9
Current		
Trade payables	**169.0**	339.1
Amounts due to related parties (note 29)	**-**	0.2
Accruals and other payables[1]	**243.7**	283.6
Employee-related tax and social welfare	**19.0**	13.3
VAT payable	**10.9**	12.4
Balance at end of period	**442.6**	648.6

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

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Trade payables includes €11.4m (2019: Nil) due to suppliers that have signed up to a supply chain financing programme, under which the suppliers can elect on an invoice by invoice basis to receive a discounted early payment from the partner bank rather than being paid in line with the agreed payment terms. If the option is taken, the Group's liability is assigned by the supplier to be due to the partner bank rather than the supplier. The value of the liability payable by the Group remains unchanged. The Group assesses the arrangement against indicators to assess if debts which vendors have sold to the funder under the supplier financing scheme continue to meet the definition of trade payables or should be classified as borrowings. At 1 August 2020, these payables met the criteria of trade payables.

21 Interest-bearing loans and borrowings

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

	2020 €m	Restated 2019[1] €m
Included in non-current liabilities		
Loans	**1,149.4**	826.3
Leases	**188.2**	0.2
Non-current interest-bearing loans and borrowings	**1,337.6**	826.5
Included in current liabilities		
Loans	**16.4**	284.6
Leases	**40.1**	0.1
Current interest-bearing loans and borrowings	**56.5**	284.7
Lease liabilities presented within disposal groups held-for-sale (note 4)	**40.2**	–
Total loans	**1,165.8**	1,110.9
Total leases	**268.5**	0.3
Total interest-bearing loans and borrowings	**1,434.3**	1,111.2

1 See note 1 page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

An analysis of the movements in net debt during the periods ended 1 August 2020 and 27 July 2019, is shown below:

FY 2020	Restated 28 July 2019[1] €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	1 August 2020 €m
Cash and cash equivalents	377.9	65.0	-	(19.3)	423.6
Loans	(1,110.9)	(57.1)	(7.7)	9.9	(1,165.8)
Leases (note 14)	(321.3)	47.9	(4.1)	9.0	(268.5)
Net debt	**(1,054.3)**	**55.8**	**(11.8)**	**(0.4)**	**(1,010.7)**

FY 2019	Restated 29 July 2018[1] €m	Cash flows €m	Non-cash movements €m	Translation adjustment €m	Restated 27 July 2019[1] €m
Cash and cash equivalents	342.0	31.2	-	4.7	377.9
Loans	(1,851.6)	763.9	(7.1)	(16.1)	(1,110.9)
Finance leases	(0.7)	0.3	-	0.1	(0.3)
Net debt	**(1,510.3)**	**795.4**	**(7.1)**	**(11.3)**	**(733.3)**

1 See note 1 page 107 for details regarding the classification restatement.

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The terms of outstanding loans are as follows:

2020	Currency	Financial year of maturity	Nominal Value €m	Carrying amount €m
Syndicated Bank RCF	Various	2023	790.8	779.0
Syndicated Bank Term Loan[1]	Various	2023	210.0	206.8
State-sponsored COVID-19 related loans	Various	Various	2.0	2.0
Schuldschein Variable	EUR	2022	119.5	119.1
Schuldschein Variable	EUR	2024	8.0	8.0
Schuldschein Fixed	EUR	2022	33.0	32.9
Schuldschein Fixed	USD	2022	9.7	9.6
Schuldschein Fixed	USD	2024	8.4	8.4
Total outstanding loans at 1 August 2020			**1,181.4**	**1,165.8**

1 The schedule of mandatory repayments by financial year on the amortising Syndicated Bank Term Loan is as follows: FY 2021 – €16.6m; FY 2022 – €80m and FY 2023 – €113.4m.

2 All debt instruments above are unsecured.

2019	Currency	Financial year of maturity	Nominal Value €m	Carrying amount €m
Syndicated Bank RCF	Various	2023	394.1	379.6
Syndicated Bank Term Loan	Various	2023	353.4	346.9
Schuldschein Variable	EUR	2020	185.5	185.0
Schuldschein Variable	EUR	2022	119.5	119.2
Schuldschein Variable	EUR	2024	8.0	8.0
Schuldschein Fixed	EUR	2020	20.0	20.0
Schuldschein Fixed	EUR	2022	33.0	32.9
Schuldschein Fixed	USD	2022	10.3	10.3
Schuldschein Fixed	USD	2024	9.0	9.0
Total outstanding loans at 27 July 2019			**1,132.8**	**1,110.9**

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

	2020	2019
Total bank loans	**1.6%**	1.7%

Repayment schedule – loans (nominal values)	**2020 €m**	Restated 2019 €m
Less than one year	**16.6**	285.5
Between one and five years	**1,164.8**	847.3
After five years	**-**	-
	1,181.4	1,132.8

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22 Financial instruments and financial risk

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

	Fair value hierarchy	Fair Value through income statement 2020 €m	Fair value through OCI 2020 €m	Amortised cost 2020 €m	Total carrying amount 2020 €m	Fair value 2020 €m
Trade and other receivables (excluding prepayments)		–	–	175.3	175.3	175.3
Cash and cash equivalents		–	–	423.6	423.6	423.6
Derivative financial assets	*Level 2*	–	0.5	–	0.5	0.5
Investment properties	*Level 3*	6.4	–	–	6.4	6.4
Financial assets at fair value through income statement	*Level 3*	16.8	–	–	16.8	16.8
Assets of disposal group held-for-sale	*Level 3*	59.4	–	–	59.4	59.4
Total financial assets		**82.6**	**0.5**	**598.9**	**682.0**	**682.0**
Trade and other payables (excluding non-financial liabilities)		–	–	(448.2)	(448.2)	(448.2)
Bank borrowings		–	–	(1,165.8)	(1,165.8)	(1,181.4)
Lease liabilities		–	–	(268.5)	(268.5)	(268.5)
Derivative financial liabilities	*Level 2*	–	(0.7)	–	(0.7)	(0.7)
Liabilities of disposal groups held-for-sale	*Level 3*	(40.2)	–	–	(40.2)	(40.2)
Total financial liabilities		**(40.2)**	**(0.7)**	**(1,882.5)**	**(1,923.4)**	**(1,939.0)**

	Fair value hierarchy	Fair Value through income statement 2019 €m	Fair value through OCI 2019 €m	Amortised Cost Restated 2019[1] €m	Total carrying amount Restated 2019[1] €m	Fair value Restated 2019[1] €m
Trade and other receivables (excluding prepayments)		–	–	105.2	105.2	105.2
Cash and cash equivalents		–	–	377.9	377.9	377.9
Derivative financial assets	*Level 2*	–	0.2	–	0.2	0.2
Investment properties	*Level 3*	12.2	–	–	12.2	12.2
Total financial assets		**12.2**	**0.2**	**483.1**	**495.5**	**495.5**
Trade and other payables (excluding non-financial liabilities)		–	–	(668.8)	(668.8)	(668.8)
Bank borrowings		–	–	(1,110.9)	(1,110.9)	(1,121.3)
Finance lease liabilities		–	–	(0.3)	(0.3)	(0.3)
Derivative financial liabilities	*Level 2*	–	(0.5)	–	(0.5)	(0.5)
Total financial liabilities		**–**	**(0.5)**	**(1,780.0)**	**(1,780.5)**	**(1,790.9)**

1 See note 1 page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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
Trade and other receivables are carried at amortised cost, less loss allowance. Trade and other payables are carried at amortised cost. 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 approximate 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 approximate 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, determined based on the results of independent valuations. The valuations were arrived at by reference to location, market conditions including the prices of transactions of similar properties, adjusted as appropriate, and status of planned disposals. As the fair value is based on inputs not observable within the market, it has been classified as a Level 3 asset.

Financial assets at fair value through income statement
As described in note 17, the group maintains a 4.6% equity investment following the disposal of the majority of ARYZTA's holding in Picard, held as a financial asset at fair value through income statement in the Group Consolidated Balance Sheet. The fair value has been measured using inputs not observable within the market, and is therefore within Level 3 of the fair value hierarchy.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

Disposal groups held-for-sale
The net assets of disposal groups held-for-sale at 1 August 2020 were held at fair value less costs to sell. The fair value was the estimated recoverable value determined based on the status of the business sale processes and valuations of the underlying land and building assets within the disposal groups. As the fair value was based on inputs not observable within the market, it was classified as a Level 3 asset and liability.

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 including accrued interest 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.

Lease liabilities
Fair value is based on the present value of future cash flows discounted at market interest rates. In calculating the present value of future cashflows, the Group uses the incremental borrowing rate at the lease commencement date or the interest rate implicit in the lease, if this is readily determinable. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease, the term and currency of the lease.

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 31. Financial risk management specifically is described in further detail below.

Financial risk management

The Group's international operations expose it to different financial risks that include:
- credit risks;
- liquidity risks;
- foreign exchange rate risks;
- interest rate risks; and
- commodity price risks.

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

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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, favourable derivative financial instruments and deposits with banks and financial institutions.

The Group has not pledged any financial assets as collateral for liabilities or contingent liabilities.

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 significant 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default in payments are considered to be indicators that the trade receivables is impaired. 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. Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

The Group applies the simplified approach to providing for expected credit losses ('ECL') permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables.

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 substantially all credit risk and control of certain trade receivables, amounting to €116.8m (2019: €208.3m). The Group has continued to also recognise an asset within Trade and other receivables, of €9.5m (2019: €18.4m), representing the fair value and maximum extent of its continuing involvement or exposure. This maximum exposure was determined based on a Reserve Calculation Ratio (approximately 8%), as per the terms of the receivables purchase arrangement. Total expenses associated with this receivables purchase agreement during the period ended 1 August 2020 were €3.5m (2019: €4.3m).

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

The undiscounted cash outflows required to repurchase these derecognised financial assets would be equal to the receivables transferred, net of the Group's remaining continuing involvement asset. The estimated maturity of any such cash outflows would be expected to be less than 6 months, as the Group's trade and other receivables are also generally settled in less than 6 months. As the carrying value of the receivables transferred and the continuing involvement retained both equal fair value, no gain or loss has arisen, either at the date of transfer or in connection with the Group's continuing involvement in these assets.

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

	Carrying amount 2020 €m	Carrying amount Restated 2019[1] €m
Cash and cash equivalents	**423.6**	377.9
Trade and other receivables	**175.3**	105.2
Derivative financial assets	**0.5**	0.2
	599.4	483.3

1 See note 1 page 107 for details regarding the classification restatement.

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

	Carrying amount 2020 €m	Carrying amount 2019 €m
Europe	**84.0**	41.4
North America	**17.7**	2.8
Rest of World	**20.7**	23.7
	122.4	67.9

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

	Gross 2020 €m	**Loss allowances 2020 €m**	Gross 2019 €m	Loss allowances 2019 €m
Not past due	**101.4**	**1.6**	44.9	1.0
Past due 0–30 days	**19.5**	**1.8**	17.6	0.6
Past due 31–120 days	**5.4**	**1.5**	7.8	1.7
Past due more than 121 days	**6.3**	**5.3**	7.4	6.5
	132.6	**10.2**	77.7	9.8

The analysis of movement in loss allowances in respect of trade receivables was as follows:

	2020 €m	2019 €m
Balance at beginning of period	**9.8**	7.9
Arising on disposal of subsidiaries	**(0.5)**	-
Utilised during the year	**(3.6)**	(2.6)
Increase in loss allowance during the financial year	**4.7**	4.6
Translation adjustment	**(0.2)**	(0.1)
Balance at end of period	**10.2**	9.8

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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, so that not more than 40% of total bank borrowing facilities should mature in the next twelve-month period. At 1 August 2020, 1.4% of the Group's total bank borrowings will mature within the next 12 months.

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

2020	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6 – 12 mths €m	1 – 2 years €m	2 – 5 years €m	More than 5 years €m
Non-derivative financial liabilities							
Fixed rate bank loans	(50.9)	(54.2)	(1.0)	(0.4)	(43.8)	(9.0)	-
Variable rate bank loans	(1,114.9)	(1,179.9)	(9.3)	(25.9)	(216.4)	(928.3)	-
Lease liabilities	(268.5)	(329.3)	(28.5)	(24.7)	(44.0)	(95.9)	(136.2)
Trade and other payables	(448.3)	(448.3)	(392.9)	(19.8)	(13.4)	(11.0)	(11.2)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	-	85.3	85.3	-	-	-	-
– Outflows	(0.7)	(86.0)	(86.0)	-	-	-	-
	(1,883.3)	**(2,012.4)**	**(432.4)**	**(70.8)**	**(317.6)**	**(1,044.2)**	**(147.4)**

restated 2019	Carrying amount €m	Contractual cash flows €m	6 mths or less €m	6 – 12 mths €m	1 – 2 years €m	2 – 5 years €m	More than 5 years €m
Non-derivative financial liabilities							
Fixed rate bank loans	(72.1)	(77.2)	(21.3)	(0.4)	(1.4)	(54.1)	-
Variable rate bank loans	(1,038.8)	(1,109.3)	(235.5)	(48.3)	(95.3)	(730.2)	-
Finance lease liabilities	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	-
Trade and other payables	(668.9)	(668.9)	(595.6)	(27.2)	(16.1)	(16.9)	(13.1)
Derivative financial instruments							
Currency forward contracts used for hedging							
– Inflows	-	193.0	192.4	0.6	-	-	-
– Outflows	(0.5)	(193.5)	(192.9)	(0.6)	-	-	-
	(1,780.6)	**(1,856.2)**	**(853.0)**	**(76.0)**	**(112.9)**	**(801.3)**	**(13.1)**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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:

	Assets 2020 €m	Liabilities 2020 €m	Assets 2019 €m	Liabilities 2019 €m
Cash flow hedges				
Currency forward contracts	**0.5**	**(0.7)**	0.2	(0.5)
At end of period	**0.5**	**(0.7)**	0.2	(0.5)

Cash flow hedges

Cash flow hedges are hedges 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. The impact on the statement of consolidated income is on page 97.

There is no significant difference between the timing of the cash flows and the income statement effect of cash flow hedges. The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within 6 months (2019: 6 months) of the balance sheet date.

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 investments 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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

The borrowings designated in net investment hedge relationships are measured at amortised cost, 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.

Foreign currency contracts
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 1 August 2020:

2020 in Millions	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8.9	6.5	2.3	6.9	12.1	3.9	40.6
Other receivables	-	0.1	-	-	0.3	0.1	0.5
Cash and cash equivalents	0.6	2.4	0.5	0.4	10.9	1.1	15.9
Trade payables	(2.2)	(3.8)	(16.6)	(10.1)	(23.1)	(2.0)	(57.8)
Other payables	(0.8)	(4.1)	(2.1)	-	(8.0)	-	(15.0)
Derivative financial instruments	-	(0.4)	(0.2)	-	0.4	-	(0.2)
At 1 August 2020	**6.5**	**0.7**	**(16.1)**	**(2.8)**	**(7.4)**	**3.1**	**(16.0)**

The following table details the Group's exposure to transactional foreign currency risk at 27 July 2019:

2019 in Millions	GBP	USD	CAD	CHF	EUR	Other	Total
Trade receivables	8.1	5.6	2.1	6.2	17.9	3.3	43.2
Other receivables	0.2	0.2	-	-	0.6	-	1.0
Cash and cash equivalents	2.8	7.6	-	0.8	10.7	1.5	23.4
Trade payables	(7.8)	(12.9)	(14.6)	(0.3)	(29.6)	(2.3)	(67.5)
Other payables	(0.4)	(3.1)	-	(4.4)	(7.6)	(2.6)	(18.1)
Derivative financial instruments	-	(0.2)	-	-	(0.2)	-	(0.4)
At 27 July 2019	**2.9**	**(2.8)**	**(12.5)**	**2.3**	**(8.2)**	**(0.1)**	**(18.4)**

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Currency sensitivity analysis
A 10% strengthening or weakening of the euro against the foreign currencies below at 1 August 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.

2020	10% strengthening income statement €m	10% strengthening equity €m	10% weakening income statement €m	10% weakening equity €m
GBP	(0.6)	(1.0)	0.7	1.1
USD	(0.1)	12.3	0.1	(13.6)
CAD	1.4	(4.2)	(1.6)	4.6
CHF	0.3	–	(0.3)	–
At 1 August 2020	1.0	7.1	(1.1)	(7.9)

2019	10% strengthening income statement €m	10% strengthening equity €m	10% weakening income statement €m	10% weakening equity €m
GBP	(0.3)	0.5	0.3	(0.5)
USD	0.2	15.4	(0.3)	(16.9)
CAD	1.1	2.9	(1.3)	(3.2)
CHF	(0.2)	-	0.2	-
At 27 July 2019	0.8	18.8	(1.1)	(20.6)

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 1 August 2020, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount 2020 €m	Carrying amount Restated 2019[1] €m
Fixed rate instruments		
Bank borrowings	**(50.9)**	(72.1)
Lease liabilities	**(268.5)**	(0.3)
	(319.4)	(72.4)
Variable rate instruments		
Cash and cash equivalents	**423.6**	377.9
Bank borrowings	**(1,114.9)**	(1,038.8)
Total interest-bearing financial instruments	**(1,010.7)**	(733.3)

1 See note 1 page 107 for details regarding the classification restatement.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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.

2020	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(1,114.9)	(5.6)
Cash flow sensitivity, net	**(1,114.9)**	**(5.6)**

Restated 2019	Principal amount €m	Impact of 50 bp increase on income statement €m
Variable rate bank borrowings	(1,038.8)	(5.2)
Cash flow sensitivity, net	**(1,038.8)**	**(5.2)**

1 See note 1 page 107 for details regarding the classification restatement.

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 IFRS 9, 'Financial Instruments', 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 IFRS 9 are applied.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

23 Deferred income from government grants

	2020 €m	2019 €m
At beginning of period	**10.5**	14.4
Received during the period	**0.8**	-
Recognised in Group Consolidated Income Statement	**(3.9)**	(3.9)
Translation adjustment	**0.2**	
At end of period	**7.6**	10.5

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:

	2020 €m	2019 €m
Deferred income tax assets (deductible temporary differences)		
Property, plant and equipment and ERP	**3.2**	0.4
Goodwill	**11.0**	5.0
Employee compensation	**6.4**	5.4
Pension related	**3.8**	3.1
Financing related	**0.1**	0.2
Tax loss carry-forwards and tax credits	**11.9**	42.3
Other	**12.4**	10.4
	48.8	66.8
Deferred income tax liabilities (taxable temporary differences)		
Property, plant and equipment and ERP	**(80.5)**	(87.9)
Intangible assets	**(48.1)**	(86.6)
Employee compensation	**-**	-
Pension related	**(3.1)**	(2.4)
Financing related	**(10.4)**	(4.7)
Other	**(5.6)**	(10.0)
	(147.7)	(191.6)

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:

	2020 €m	2019 €m
Within one year	**–**	–
Between one and five years	**0.8**	0.6
After five years	**538.4**	292.7
Total unrecognised tax losses	**539.2**	293.3

Deferred income tax liabilities of €5.2m (2019: €5.6m) 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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

2020	Goodwill €m	Intangible assets €m	Property, plant & equipment and ERP €m	Employee compensation €m	Pension related €m	Financing related €m	Tax losses and credits €m	Other €m	**Total €m**
At 28 July 2019	5.0	(86.6)	(87.5)	5.4	0.7	(4.5)	42.3	0.5	**(124.7)**
Recognised in Group Consolidated Income Statement	6.8	35.1	8.4	1.4	0.1	(1.0)	(30.0)	6.5	**27.3**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	(0.1)	(4.7)	–	0.4	**(4.4)**
Translation adjustments and other	(0.8)	3.4	1.8	(0.4)	–	(0.1)	(0.4)	(0.6)	**2.9**
At 1 August 2020	11.0	(48.1)	(77.3)	6.4	0.7	(10.3)	11.9	6.8	**(98.9)**

2019	Goodwill €m	Intangible assets €m	Property, plant & equipment and ERP €m	Employee compensation €m	Pension related €m	Financing related €m	Tax losses and credits €m	Other €m	**Total €m**
At 29 July 2018	6.3	(110.3)	(77.2)	5.3	0.2	(2.8)	47.8	(7.1)	**(137.8)**
Recognised in Group Consolidated Income Statement	(1.5)	27.3	(8.6)	–	0.2	(1.4)	(7.2)	6.2	**15.0**
Recognised in Group Consolidated Statement of Comprehensive Income	–	–	–	–	0.2	(0.1)	–	–	**0.1**
Translation adjustments and other	0.2	(3.6)	(1.7)	0.1	0.1	(0.2)	1.7	1.4	**(2.0)**
At 27 July 2019	5.0	(86.6)	(87.5)	5.4	0.7	(4.5)	42.3	0.5	**(124.7)**

Swiss Tax Reform

The Federal Act on Tax Reform and AHV Financing was approved in Switzerland in 2019. The impact of this Act for ARYZTA, principally a change in the applicable tax rates, has been incorporated in the tax balances reflected above and in Note 10 to the Financial Statements, as appropriate.

25 Employee benefits

The Group operates a number of defined benefit and defined contribution pension plans in various jurisdictions. The Group operates four of the defined benefit plans in Switzerland, two in France and one in Germany. 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.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

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

	2020 €m	2019 €m
Total deficit in defined benefit plans	**7.4**	7.3
Other[1]	**2.7**	2.4
Total	**10.1**	9.7

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 1 August 2020 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.

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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

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

	2020	2019
Rate of increase in salaries	**2.0%**	2.0%
Discount rate on plan liabilities	**0.2%**	0.4%

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

	2020	2019
Male	**22.9**	24.4
Female	**25.1**	26.4

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

	2020	2019
Male	**21.5**	22.6
Female	**23.6**	24.7

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 1 August 2020 is on the basis that only one principal financial actuarial assumption is changed, with all other assumptions remaining unchanged.

The impact of a change in the assumption of life expectancy has been measured as at 1 August 2020 in the sensitivity analysis. The method 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 0.5%**	Decrease by 4.6% / increase by 7.5%
Salary growth rate	**Increase/ decrease 0.5%**	Increase by 1.0% / decrease by 0.6%
Life expectancy	**Increase/ decrease 1 year**	Increase by 1.3% / decrease by 1.4%

Net pension liability	2020 €m	2019 €m
Total fair value of assets	**69.5**	62.7
Present value of plan liabilities	**(76.9)**	(70.0)
Deficit in the plans	**(7.4)**	(7.3)
Related deferred tax asset (note 24)	**0.7**	0.7
Net pension liability	**(6.7)**	(6.6)

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Fair value of plan assets	Quoted €m	Non-quoted €m	2020 €m	2019 €m
Cash and cash equivalents	2.8	-	**2.8**	1.7
Equity instruments	21.8	-	**21.8**	19.8
Debt instruments	23.8	0.1	**23.9**	21.9
Property	19.5	-	**19.5**	18.0
Other	1.5	-	**1.5**	1.3
Total fair value of assets	69.4	0.1	**69.5**	62.7

Movement in the fair value of plan assets	2020 €m	2019 €m
Fair value of plan assets at the beginning of the period	**62.7**	58.4
Interest income	**0.3**	0.6
Employer contributions	**2.6**	2.6
Employee contributions	**2.3**	2.3
Benefit payments made	**(3.5)**	(6.3)
Actuarial return on plan assets (excluding interest income)	**4.2**	2.8
Translation adjustments	**0.9**	2.3
Fair value of plan assets at the end of the period	**69.5**	62.7

Movement in the present value of plan obligations	2020 €m	2019 €m
Present value of plan obligations at the beginning of the period	**(70.0)**	(63.5)
Current service cost	**(3.6)**	(3.3)
Interest expense on plan obligations	**(0.3)**	(0.7)
Employee contributions	**(2.3)**	(2.3)
Benefit payments made	**3.5**	6.3
Actuarial changes in demographic and financial assumptions	**1.2**	(3.6)
Actuarial experience adjustments	**(4.4)**	(0.5)
Translation adjustments	**(1.0)**	(2.4)
Present value of plan obligations at the end of the period	**(76.9)**	(70.0)

Movement in net liability recognised in the Group Consolidated Balance Sheet	2020 €m	2019 €m
Net liability in plans at the beginning of the period	**(7.3)**	(5.1)
Current service cost (note 8)	**(3.6)**	(3.3)
Employer contributions	**2.6**	2.6
Net interest expense	**-**	(0.1)
Actuarial gain/(loss) on Group defined benefit pension plans	**1.0**	(1.3)
Translation adjustments	**(0.1)**	(0.1)
Net liability in plans at the end of the period	**(7.4)**	(7.3)

The estimated contributions expected to be paid during the period ending 31 July 2021 in respect of the Group's defined benefit plans are €2.7m.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

Analysis of defined benefit expense recognised in the Group Consolidated Income Statement	2020 €m	2019 €m
Current service cost (note 8)	**3.6**	3.3
Non-financing expense	**3.6**	3.3
Expected return on Plan assets (note 5)	**(0.3)**	(0.6)
Interest cost on Plan liabilities (note 5)	**0.3**	0.7
Included in financing costs, net	**-**	0.1
Net charge to Group Consolidated Income Statement	**3.6**	3.4

Additionally, a charge of €12.9m (2019 €13.5m) was recorded in the Group Consolidated Income Statement in respect of the Group's defined contribution plans.

Defined benefit pension expense recognised in Group Consolidated Statement of Comprehensive Income	2020 €m	2019 €m
Return on plan assets (excluding interest income)	**4.2**	2.8
Experience losses on plan liabilities	**(4.4)**	(0.5)
Changes in demographic and financial assumptions	**1.2**	(3.6)
Actuarial gain/(loss)	**1.0**	(1.3)
Deferred tax effect of actuarial (gain)/loss (note 10)	**(0.1)**	0.2
Actuarial gain/loss recognised in Group Consolidated Statement of Comprehensive Income	**0.9**	(1.1)

History of experience gains and losses:	2020	2019
Difference between expected and actual return on plan assets:		
– Amount (in €m)	**4.2**	2.8
– % of Plan assets	**6.0%**	4.4%
Experience losses on plan obligations:		
– Amount (in €m)	**(4.4)**	(0.5)
– % of Plan obligations	**(5.7)%**	(0.7)%
Total actuarial gains recognised in Group Consolidated Statement of Comprehensive Income:		
– Amount (in €m)	**1.0**	(1.3)
– % of Plan obligations	**1.3%**	(1.9)%

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

26 Shareholders equity

Registered shares of CHF 0.02 each – authorised, issued and fully paid	2020 in Millions	2020 in EUR Millions	2019 in Millions	2019 in EUR Millions
At beginning of period	**993.1**	**17.0**	92.9	1.2
Issue of registered shares (CHF 0.02)	**-**	**-**	900.2	15.8
At end of period	**993.1**	**17.0**	993.1	17.0

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding, and to enable delivery of ARYZTA's three year turnaround plan, Project Renew. At the Annual General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795.8m. This resulted in €739.5m, net of related transaction costs, which was recognised within equity during the period ended 27 July 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium. At 27 July 2019, €739.5m was recognised relating to proceeds from the rights issue within financing activities in the Group Consolidated Cash Flow Statement.

At the 2019 AGM, the shareholders voted in favour of the amendment of the Articles of Association, to introduce a new Article 4 to create conditional share capital for issuance of shares, options or subscription rights to employees. The registered share capital may be increased in an amount not to exceed CHF 993,105.72 by issuing up to 49,655,286 fully paid-up registered shares with a par value of CHF 0.02 each (representing 5% of the currently issued share capital) through the direct or indirect issuance of shares, options or related subscription granted to members of the Board of Directors in lieu of cash fees, members of the Executive Management and employees of the Company and its Group companies.

In accordance with Article 5 of the Articles of Association (Authorised capital for general purposes), the Board of Directors is authorised to increase the share capital of the Company at any time until 14 November 2021 by a maximum amount of CHF 1,986,211 by issuing of up to 99,310,572 fully paid up registered shares with a par value of CHF 0.02 each. A partial increase is permitted.

The Board of Directors is authorised to withdraw or limit the pre-emptive rights of the existing shareholders if the newly issued shares are used for the following purposes: (1) mergers, acquisitions (including take-overs) of companies, parts of companies or holdings, equity stakes (participation) or new investments planned by the Company, or the financing or re-financing of such transactions, (2) broadening the shareholder constituency, or (3) employee participations.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Treasury shares of CHF 0.02 each - authorised, called up and fully paid	**2020** in '000s	**2020** in EUR `000	2019 in '000s	2019 in EUR `000
At beginning of period	**2,518**	**40**	2,987	46
Release of treasury shares upon vesting and exercise of equity entitlements	**(25)**	**(1)**	(85)	(1)
Release of treasury shares as restricted shares	**(511)**	**(7)**	(384)	(5)
At end of period	**1,982**	**32**	2,518	40

During the period ended 1 August 2020, the performance conditions associated with 25,684 Restricted Stock Unit awards were fulfilled (2019: 84,815). Therefore, these awards were approved as vested by the Remuneration Committee and were subsequently exercised by employees, in exchange for the same number of shares. The weighted average share price at the time of these exercises was CHF 0.80 (2019: CHF 10.33).

In addition, during the period ended 1 August 2020 510,817 shares were issued out of treasury shares, in respect of restricted shares for non-executive directors (2019: 383,888 shares), as detailed on pages 64 to 82 of the Compensation Report.

These shares were issued out of shares previously held in treasury by ARYZTA Grange Company UC, a wholly-owned subsidiary within the ARYZTA AG Group.

Other equity reserve

	2020 €m	2019 €m
At end of period	**720.5**	720.5

In April 2013, 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 €319,442,000 within equity. This Hybrid Instrument has no maturity date, and as the first call option was not exercised by ARYZTA in April 2018, the coupon is now 6.045%, plus the 3-month CHF LIBOR.

In October 2014, the Group raised CHF 190,000,000 through the issuance of a Hybrid Instrument. This Hybrid Instrument offers a coupon of 3.5% and has no maturity date, with an initial call option date by ARYZTA in April 2020. In the event that the call option is not exercised, the coupon would be 4.213%, 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 6.8% and has no maturity date, and as the first call option was not exercised by ARYZTA in March 2019, the coupon is now 6.82%, plus the 5 year euro 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.

As the Hybrid instruments have no maturity date and repayment is at the option of ARYZTA, they are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to settle these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

Because the Group has not paid a cash dividend to equity shareholders during the last 12 months, as of 1 August 2020 the Group is under no contractual obligation to settle the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 'Financial Instruments'. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to the Hybrid instrument dividends over the last two years were as follows:

	2020 €m	2019 €m
Balance at beginning of the period	(81.8)	(41.1)
Hybrid instrument deferred dividend	(46.1)	(38.9)
Translation adjustments	(1.3)	(1.8)
Balance at end of the period	**(129.2)**	**(81.8)**

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.

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.

Capital and net debt management
The capital managed by the Group as at 1 August 2020 consists of total equity of €1,267.9m (2019: €2,436.2m) and net debt of €1,010.7m at 1 August 2020 (2019: €733.3m). The Group has set the following goals for the management of its capital and net debt:

- To maintain prudent Net Debt: EBITDA[1] and interest cover (EBITDA: Net interest, including Hybrid dividend[1]) 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 that 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.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

Following the amendment of the Group's Syndicated Bank Facilities Agreement in September 2018, and successful completion of the capital raise during November 2018, the group's financial covenants were as follows:

– Leverage covenant (Net Debt: EBITDA): maximum 3.5x
– Interest cover covenant (EBITDA: Net interest, incl. Hybrid dividend): minimum 3.0x

As announced on 4 May 2020, in response to the COVID-19 pandemic, the Group received the requisite consent of the majority of its lenders for an amendment of its financial covenants relating to the annual financial statements for the period ended 1 August 2020 and the semi-annual statements for the period ended 31 January 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and an interest cover covenant being greater than 1.5x.

As announced on 28 September 2020, the Group received the requisite consent of the majority of its lenders for a further amendment of its financial covenants relating to the semi-annual period ending 31 January 2021 and the annual financial statements ending 31 July 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and interest cover covenant being greater than 1.0x.

The covenants are summarised in the table below:

	FY 2020	H1 2021	FY 2021	Reset after FY 2021
Leverage covenant	maximum 6.0x	maximum 6.0x	maximum 6.0x	maximum 3.5x
Interest cover covenant	minimum 1.5x	minimum 1.0x	minimum 1.0x	minimum 3.0x

The Group's key financial ratios at 1 August 2020 were as follows:

	FY 2020	FY 2019
Leverage covenant (Net Debt: EBITDA)[1]	3.68x	2.43x
Interest cover covenant (EBITDA: Net interest, including Hybrid dividend)[1]	2.63x	3.45x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

These ratios were complied with throughout the period ended 1 August 2020, and are reported to the Board of Directors at regular intervals through internal financial reporting.

No dividend is planned to be proposed for the period ended 1 August 2020.

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 2020

27 Commitments

27.1 Commitments under leases
The Group is committed to payments totalling €23.5m in relation to leases that have been signed but not yet commenced.

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

	2020 €m	2019 €m
Property, plant and equipment	**8.3**	20.4
Intangible assets	**0.1**	–
Total	**8.4**	20.4

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

28 Contingent liabilities
Letters of credit and guarantees
Letters of credit and guarantees amounting to €14.3 million are outstanding at 1 August 2020 (2019: €14.5 million). The Group does not expect any material loss to arise from these letters of credit or guarantees.

Litigation
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.

29 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:

	2020 €m	2019 €m
Provision of services	**0.6**	1.3

Provision of services relates primarily to transactions with joint ventures. During the period ended 1 August 2020, there were no trading balances owing to the Group from related parties (2019: €21,000) and there were no trading balances owing from the Group to these related parties (2019: €225,000).

Notes to the Group Consolidated Financial Statements (continued)
for the period ended 1 August 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:

	2020 €m	2019 €m
Short-term employee benefits	**6.0**	8.4
Post-employment benefits	**-**	-
Other long-term benefits	**0.6**	0.6
Long-term incentives (LTIP)	**0.3**	0.7
Termination benefits	**-**	-
Total key management compensation	**6.9**	9.7

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the period ended 1 August 2020.

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 64 to 82.

30 Post balance sheet events – after 1 August 2020
As announced on 28 September 2020, the Group received the requisite consent of the majority of its lenders for a further amendment of its financial covenants relating to the semi-annual period ending 31 January 2021 and the annual financial statements ending 31 July 2021. The financial covenants defined under this amendment are a leverage covenant being a maximum of 6.0x and interest cover covenant being greater than 1.0x. See page 175 within note 26 above for further details on the Group's financial covenants.

31 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 at least 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 period ended 1 August 2020

32 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 1	Going concern
Note 16	Goodwill and intangible assets
Note 14	Leases
Note 25	Employee benefits
Notes 10&24	Income taxes and deferred income tax

Given the significant impact of COVID-19 on the macro-economic conditions in which the Group operates, the Directors have placed a particular focus on whether it is appropriate to adopt the going concern basis in preparing the financial statements for the period ended 1 August 2020. The Directors' analysis of whether use of the going concern basis is appropriate covers at least 12 months from the date of the financial statements, and is based on management's estimates and judgements, in particular in relation to the projected financial performance and liquidity of the business. Further detail on the Directors' analysis of the going concern basis is disclosed in note 1, page 109.

The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGUs) have been determined based on value in use calculations. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates and judgements are subject to change as a result of changing economic conditions. Additional information in relation to impairment reviews, including headroom and sensitivity analysis is disclosed in note 16.

The Group applies estimation in determining the incremental borrowing rates for leases which has a significant impact on the lease liabilities and right-of-use assets recognised. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease, the term and currency of the lease. The weighted average incremental borrowing rate applied to lease liabilities on the Group Consolidated Balance Sheet on transition was 3.95% at 28 July 2019.

Judgement is involved in determining the lease term where there are extension or termination options. In determining the lease term, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal or termination of the lease. The Group assesses at lease commencement date whether it is reasonably certain to exercise these options for leases. The Group reassesses whether it is reasonably certain to exercise them if there is a significant event or change in circumstances within its

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

control. Details of the leasing arrangements of the Group are disclosed in note 14, and details around the transition to IFRS 16 are set out in note 1.

The estimation of and accounting for employee benefits involves judgements made on a country by country basis, in conjunction with independent actuaries in relation to various assumptions. Estimates are required in respect of uncertain future events including mortality rates of members and increase in pension payments linked to certain obligations and discount rates used in estimating the present value of the schemes assets and liabilities. Details of the financial position of the employee benefit schemes are set out in note 25.

Income taxes, as set out in note 10, 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.

Judgement and estimation is required in determining the income tax charge as the Group operates in multiple jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. In addition, the Group is subject to uncertainties involving tax audits which can involve complex issues that can require extended periods to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. The Group uses in-house tax experts, professional firms and previous experience when assessing tax risks and the tax uncertainties have been measured using a probability weighted expected value approach.

Notes to the Group Consolidated Financial Statements (continued) for the period ended 1 August 2020

33 Significant subsidiaries and joint ventures

A list of all of the Group's significant subsidiary and joint venture undertakings, as at 1 August 2020 and 2019, 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 2020	Group % share 2019	Registered office
(a) Significant subsidiaries – Europe						
ARYZTA Food Solutions Ireland UC	Food distribution	EUR	0.635	100	100	1
ARYZTA Bakeries Ireland UC	Food manufacturing and distribution	EUR	1.016	100	100	1
ARYZTA Technology Ireland UC	Asset management company	EUR	0.000	100	100	1
Delice de France Limited[1]	Food distribution	GBP	N/A	N/A	100	N/A
France Distribution SAS	Food distribution	EUR	0.108	100	100	2
ARYZTA Food Solutions Schweiz AG	Food distribution	CHF	3.500	100	100	3
ARYZTA Bakeries Deutschland GmbH	Food manufacturing and distribution	EUR	3.072	100	100	4
ARYZTA Food Solutions GmbH	Food distribution	EUR	0.025	100	100	5
Pré Pain B.V.	Food manufacturing and distribution	EUR	0.018	100	100	6
ARYZTA Polska Sp.z o.o.	Food manufacturing and distribution	PLN	69.174	100	100	7
Fornetti Kft	Food manufacturing and distribution	HUF	500.000	100	100	8
(b) Significant subsidiaries – North America						
ARYZTA LLC	Food manufacturing and distribution	USD	705.000	100	100	9
ARYZTA Limited	Food manufacturing and distribution	CAD	256.217	100	100	10
ARYZTA Canada Co.	Food manufacturing and distribution	CAD	113.500	100	100	11
(c) Significant subsidiaries – Rest of World						
ARYZTA Australia Pty Limited	Food manufacturing and distribution	AUD	17.000	100	100	12
ARYZTA Do Brazil Alimentos Ltda	Food manufacturing and distribution	BRL	33.588	100	100	13
(d) Significant joint venture						
Lion/Polaris Lux Holdco S.à r.l. (Picard)[1]	Food distribution	EUR	N/A	N/A	48	N/A

1 Correct for 2019 before disposal of subsidiary or joint venture interest

Registered offices of subsidiaries consolidated as of 1 August 2020:

1. Grangecastle Business Park, New Nangor Road, Clondalkin, Dublin 22, Ireland.
2. ZAC de Bel Air, 14–16 Avenue Joseph Paxton, Ferrières en Brie, 77164, France.
3. Ifangstrasse 9, 8952 Schlieren-Zurich, Switzerland.
4. Industriestraße 4, 06295 Lutherstadt Eisleben, Germany.
5. Konrad Goldmann Strasse 5 b, 79100 Freiburg im Breisgau, Germany.
6. Kleibultweg 94, Oldenzaal, 7575 BX, the Netherlands.
7. ul. Zachodnia 10, 05-825 Grodzisk Mazowiecki, Poland.
8. 6000 Kecskemét, Városföld 8683/104.hrsz. dulo 92, Hungary.
9. 350 N Orleans, Suite 3001N, Chicago, IL 60654, United States of America.
10. 58 Carluke Road West, Ancaster, Ontario L9G 3L1, Canada.
11. 1100-1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2, Canada.
12. 14 Homepride Avenue, Liverpool, NSW 2170, Australia.
13. Av. Brigadeiro Faria Lima 1.336, 3° Andar 01451-001 São Paulo, Brazil.

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 2020

Opinion

We have audited the Consolidated Financial Statements of ARYZTA AG and its subsidiaries (the Group), which comprise the Group Consolidated Income Statement and Group Consolidated Statement of Comprehensive Income for the period ended 1 August 2020, the Group Consolidated Balance Sheet as at 1 August 2020 and the Group Consolidated Statement of Changes in Equity and Group Consolidated Cash Flow Statement for the period then ended, and notes to the Group Consolidated Financial Statements.

In our opinion, the Group Consolidated Financial Statements (pages 96 to 180) give a true and fair view of the consolidated financial position of the Group as at 1 August 2020, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (continued)

Valuation of Goodwill

Area of focus

As at 1 August 2020, the carrying value of goodwill was EUR 823.4 million (2019: EUR 1,458.1 million) which represents 24% of total assets (2019: 32%) and 65% of total equity (2019: 60%). Goodwill is subject to impairment testing on an annual basis and at any time during the year, if an indicator of impairment exists. An impairment charge of EUR 502.1 million was recognised during the period in respect to goodwill.

Due to the significance of the carrying value and impairment charge as well as the involvement of subjective judgements by management in performing the impairment test, this matter was considered significant to our audit.

Key judgements for the impairment test and identified cash generating units are disclosed in the Notes (Note 16).

Our audit response

We obtained an understanding of the Group's goodwill impairment review process and the process for setting significant assumptions, including future profitability, terminal growth rates and the selection of appropriate discount rates, among others.

We assessed and evaluated the reasonableness of the Group's allocation of goodwill to CGUs taking into consideration internal management reporting and how the business is managed.

We obtained the Group's impairment analysis for each CGU and performed the following procedures, among others:

– We compared the significant assumptions used by management to external economic forecasts, the Group's historical results, and evaluated whether changes in the Group's business could affect the significant assumptions. In these circumstances we applied professional skepticism when assessing the judgements made by management.
– We tested the mathematical accuracy of the models and reconciled the projections to budgets which have been the subject to approval by the Board of Directors.
– We assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate the impact on the estimated fair value of the CGUs for changes in these assumptions.
– We involved valuation specialists to assist in our evaluation of the valuation methodology and comparison of key inputs used by management in calculating discount rates to external market data (principally risk-free rates, country risk premia and inflation rates).
– We considered the adequacy of management's disclosures in respect of impairment testing and whether the disclosures appropriately communicate the underlying sensitivities.

Our audit procedures did not lead to any reservations regarding the valuation of goodwill.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (continued)

Revenue recognition

Area of focus

Revenues for the period ended 1 August 2020 were EUR 2.9 billion (2019: EUR 3.4 billion).

Revenues are a key performance indicator for ARYZTA and are a focus of internal and external stakeholders. Due to the complexity and significant volumes of various trade discounts, allowances, promotional and volume rebates in customer arrangements throughout the Group, this matter was considered significant to our audit.

The accounting principles for revenue recognition are disclosed in Note 1, page 111.

Our audit response

We assessed the Group's revenue recognition accounting policies; in particular, those related to complex and non-standard customer contracts. For the purpose of our audit, we performed the following procedures, among others:

- We obtained key contractual arrangements, including in respect of rebate and discount arrangements. Where rebate and discount arrangements existed, we incorporated unpredictability in our selection of contracts to review and to perform a recalculation of the value of rebates and discounts.
- We considered post period-end settlement of rebates and discounts to assess the accuracy of the rebate accruals. We also performed a retrospective analysis of prior period rebate estimates to challenge the accuracy of the assumptions made, including assessing the estimates for evidence of potential management bias.
- We performed cut-off testing for a sample of revenue transactions around period end, to validate that revenue and associated rebates were recognised in the appropriate period.
- We assessed the completeness of disclosures against the requirements of IFRS 15 Revenue from contracts with customers, in particular in respect of the requirements to disclose rebate and returns arrangements.

Our audit procedures did not lead to any reservations regarding recognition of revenue.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (continued)

Adherence to financial covenants

Area of focus

The Group has outstanding credit facilities that are subject to contractual financial covenants that are required to be met. The Board of Directors and management expect that there will not be a breach of covenants under the revised terms that would cause the financing institutions to renegotiate the terms of the credit facilities or to accelerate repayment of the current facilities during the 2020/21 financial period. The adherence of financial covenants is monitored on a biannual basis. The future compliance with these financial covenants is dependent on the achievement of forecasts which are based on assumptions and judgement around uncertainties, including those relating to the outbreak of COVID-19.

Due to the significant involvement of subjective judgements by management in the financial forecast and covenant compliance, this matter was considered significant to our audit.

We refer to the Note 1, page 109.

Our audit response

We analysed the Group's forecast for the Half-Year and Full-Year 2021 to gain an understanding of the likelihood of adhering to the financial covenants, and discussed with management the underlying assumptions used, the basis for their evaluation and sensitivities. Further, we gained an understanding of management's application of judgement related to uncertainties, including the expected impact of COVID-19.

As part of our assessment of the appropriateness of the underlying assumptions used in the forecasts for 2020/21, we performed the following procedures, amongst others:

- We gained an understanding of judgements related to uncertainties, including the impact of COVID-19 and challenged the reasonableness of key assumptions addressing revenue, expenses and overheads including reconciliation of forecast cash flows to budgets approved by the Board, as well as a comparison with recent actual results. We applied professional skepticism when assessing the key assumptions made by management.
- We assessed the consistency of the cash flow forecasts with audit evidence obtained in other areas of the audit, including the goodwill impairment assessment.
- We recalculated management's forecasted covenant ratio compliance calculations to assess for potential breaches for the interim and annual test for 2020/21 financial period.
- We obtained evidence of the agreements with lenders confirming waivers granted and covenant resets for the covenant test at the period end date and both the interim and annual test for 2020/21 financial period.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (continued)

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the Group Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group Consolidated Financial Statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the EXPERTsuisse website at: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the consolidated financial statements 2020 (continued)

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
Auditor in charge

Jennifer Mathias
Certified public accountant

Zurich, 6 October 2020