Company No: NI006802

ARYZTA UK Holdings Limited

Directors' Report and Financial Statements

Financial Year Ended 31 July 2018

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors

J. McNiff (Irish)
T. Cacaly (French)
S. Murphy (Irish)

Secretary and Registered Office
S. Murphy (Irish)
ARYZTA UK Holdings Limited
c/o ARYZTA Food Solutions Ireland Unlimited Company
Unit 5, Blaris Industrial Estate
Lisburn
Co. Antrim
Northern Ireland

Registered number: NI006802

Independent auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Spencer Dock
North Wall Quay
Dublin 1

Bankers

Ulster Bank
Belfast City Office
PO Box 232
11 – 16 Donegall Square East
Belfast
BT1 5UB

Bank of America
2 King Edward Street
London
EC1A 1HQ

STRATEGIC REPORT

The directors present their Strategic Report on the company for the year ended 31 July 2018.

Business review
ARYZTA UK Holdings Limited (UK resident) is a subsidiary of IAWS International BV, which is an indirect subsidiary of IAWS Management Services Unlimited Company. It is an investment holding company for the UK food subgroup of ARYZTA AG. During the year, the company performed a review of the carrying value of its investments in group companies. As a result of this review, the company has written down the assets to their recoverable amounts. This review has resulted in impairment loss of £94,000,000 on investments, as detailed in note 10 of these financial statements. This was as a result of the significant reductions in the profitability in the UK during the year. The UK business was impacted by continued higher input costs arising from foreign exchange rate changes, and volume declines.

While profitability is expected to improve in the future, including the benefits from the group's Project Renew improvement programme, after considering the respective future cash flow projections and the financial assets and liabilities, the directors determined it was appropriate to record an impairment in the investment during the year.

The directors are satisfied with the state of affairs of the company and do not anticipate any changes to its principal activity in the foreseeable future.

Principal risks and uncertainties
The principal risk and uncertainties faced by the company relate to a decline in the value of its financial assets, the recoverability of its debtor balances and an inability to meet its creditor obligations. The directors are satisfied that the carrying values of the company's investments are fairly stated, receivable balances are fully recoverable and that the company can meet its obligations. The directors intend to return the company to a positive net equity position, via an increase in equity capital from fellow ARYZTA group companies. This is in progress as of June 2019. The directors have also assessed a risk facing the company in relation to compliance with company and tax legislation. The company mitigates this risk by closely monitoring emerging changes to regulations or legislation on an ongoing basis.

On behalf of the board

S Murphy
Director

J McNiff
Director

Date: 21 June 2019

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 July 2018.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "*The Financial Reporting Standard Applicable in the UK and Republic of Ireland"*, and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Accounting records
The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at ARYZTA UK Holdings Limited c/o ARYZTA Food Solutions Ireland Unlimited Company, Unit 5, Blaris Industrial Estate, Lisburn, Co. Antrim, Northern Ireland.

Results for the year and state of affairs at 31 July 2018
The profit and loss account is set out on page 9. The loss for the financial year amounted to Stg£103,696,144 (2017: loss of Stg£32,870,143).

Dividends
During the financial year, no dividend was paid (2017: Stg£Nil).

Post balance sheet events
There have been no events affecting the company since year end which would require disclosure in the financial statements.

Political donations and political expenditure
Company did not make any charitable or political donations during the year (2017: Stg£Nil).

Financial risk management
The board and senior management actively review the credit, liquidity, and cash flow position of the company on a regular basis and are satisfied that the risks are negligible as the counterparties are group companies and if required, funding would be supported by ARYZTA AG, the ultimate parent company.

Research and development
There was no research and development during the financial year.

DIRECTORS' REPORT - continued

Directors and secretary
The directors and secretary who held office during the year and since year end were as follows. Unless otherwise stated they served for the entire year and up to the date of signing the financial statements.

Directors
D. Murphy (resigned 8 June 2018)
T. Cacaly
S. Murphy
J. McNiff (appointed 8 June 2018)

Secretary
S. Murphy

In accordance with the Articles of Association the directors are not required to retire by rotation.

Disclosure of information to auditors
In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed for approval by the shareholders.

On behalf of the board

Sean Murphy

S Murphy
Director

J McNiff

J McNiff
Director

Date: 21 June 2019

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Independent auditors' report to the members of ARYZTA UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, ARYZTA UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise: the balance sheet as at 31 July 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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Reporting on other information

The other information comprises all of the information in the Directors' Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Siobhan Collier
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
21 June 2019

PROFIT AND LOSS ACCOUNT
For the financial year ended 31 July 2018

	Note	2018 Stg£	2017 Stg£
Administrative (expenses)/income		(4,251)	30,258
Exceptional items	5	(89,183,044)	(18,000,000)
Loss on ordinary activities before interest and tax	6	(89,187,295)	(17,969,742)
Interest receivable and similar income	7	-	149,119
Interest payable and similar expenses	7	(14,508,849)	(15,049,789)
Loss before tax		(103,696,144)	(32,870,412)
Tax on loss	8	-	269
Loss for the year		(103,696,144)	(32,870,143)

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 July 2018

There are no recognised gains or losses other than those included in the profit and loss account, above and therefore no separate statement of comprehensive income has been presented.

On behalf of the board

Sean Murphy

S Murphy
Director

J McNiff

J McNiff
Director

Date: 21 June 2019

BALANCE SHEET
As at 31 July 2018

	Note	2018 Stg£	2017 Stg£
Fixed assets			
Investment property	9	-	5,000,000
Financial assets	10	39,283,346	149,783,346
		39,283,346	154,783,346
Current assets			
Debtors (including Stg£Nil (2017: Stg£Nil) due after more than one year)	11	42,874,568	43,869,547
Cash at bank		82,292	92,308
		42,956,860	43,961,855
Creditors: amounts falling due within one year	12	(259,382,399)	(272,191,250)
Net current liabilities		(216,425,539)	(228,229,395)
Net liabilities		(177,142,193)	(73,446,049)
Capital and reserves			
Called up share capital	13	514,060	514,060
Revaluation reserve		-	1,499,779
Profit and loss account		(177,656,253)	(75,459,888)
Total equity		(177,142,193)	(73,446,049)

The notes on pages 12 to 19 are an integral part of these financial statements.

The financial statements on pages 9 to 19 were authorised for issue by the board of directors on _________ and were signed on its behalf.

On behalf of the board

S Murphy
Director

J McNiff
Director

Date: 21 June 2019

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 July 2018

	Called-up share capital presented as equity Stg£	Revaluation reserve Stg£	Profit and loss account Stg£	Total equity Stg£
Balance at 1 August 2016	514,060	1,499,779	(42,589,745)	(40,575,906)
Loss for the financial year	-	-	(32,870,143)	(32,870,143)
Balance at 31 July 2017	514,060	1,499,779	(75,459,888)	(73,446,049)
Balance at 1 August 2017	514,060	1,499,779	(75,459,888)	(73,446,049)
Loss for the financial year	-	-	(103,696,144)	(103,696,144)
Release of revaluation reserve	-	(1,499,779)	1,499,779	-
Balance at 31 July 2018	514,060	-	(177,656,253)	(177,142,193)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

ARYZTA UK Holdings Limited ('the company') is an investment holding company for the UK food subgroup of ARYZTA AG.

ARYZTA UK Holdings Limited is incorporated as a company limited by shares in the UK. The address of its registered office is ARYZTA UK Holdings Limited c/o ARYZTA Food Solutions Ireland Unlimited Company, Unit 5, Blaris Industrial Estate, Lisburn, Co. Antrim, Northern Ireland.

IAWS International BV, a company registered in the Netherlands, owns 100% of the equity share capital of ARYZTA UK Holdings Limited.

ARYZTA UK Holdings Limited's ultimate parent and ultimate controlling party ARYZTA AG prepares group financial statements and is both the smallest and largest group for which group financial statements are drawn up and of which ARYZTA UK Holdings Limited is a member. Copies of the ARYZTA AG group financial statements are available from ARYZTA AG, Ifangstrasse 9, CH – 8952, Schlieren, Switzerland.

These financial statements are the company's separate financial statements for the financial year beginning 1 August 2017 and ending 31 July 2018.

2 Statement of compliance

The entity financial statements have been prepared on a going concern basis and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

(a) Basis of preparation
The entity financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Going concern
The financial statements have been prepared on a going concern basis as ARYZTA AG has undertaken to provide financial support to the company.

(c) Disclosure exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions to a member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation. The company is a qualifying entity and has taken advantage of the below disclosure exemptions:

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Disclosure exemptions for qualifying entities under FRS 102 - continued

(i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.

(ii) Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102 providing the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(iii) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.

(iv) Exemption from the requirement of FRS 102 paragraph 33.1A to disclose related party transactions with other companies that are wholly owned within the ARYZTA AG group.

(d) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling, denominated by the symbol "Stg£".

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to Pound Sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'other expensing expenses'.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(f) Share capital presented as equity

Equity shares issued are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(g) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Financial instruments - continued

(i) Financial assets - continued

Trade and other debtors, cash and cash equivalents, which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, loans from fellow group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(h) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Income tax - continued

(i) Current tax - continued

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(i) Investment property

Investment property is an interest in land and buildings which is held for its investment potential, being rental income or capital appreciation or both. Investment property is stated at the open 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 market value is recognised in the profit and loss account.

(j) Financial fixed assets

Financial fixed assets are stated at cost less provisions for impairments in value. Income from financial fixed assets is recognised in the profit and loss account in the year in which it is received.

(k) Joint venture undertakings

Joint venture undertakings are those undertakings over which the company exercises control jointly with another party.

Investments in joint ventures are shown in the balance sheet as financial fixed assets and are valued at cost less impairments.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty - continued

(a) Critical accounting estimates and assumptions - continued

(i) Impairment of financial assets
The directors make an assessment at the end of each financial year, or more frequently whenever there is a specific indicator of impairment, of whether there is objective evidence that a financial asset investment holding is impaired. Indicators of possible impairment include, not exclusively, a reduction in management's estimates of future profitability of subsidiaries; closure or disposal of an operating business or location; an increase in discount rates; a reduction in terminal growth rates; or changes in the net financial asset/liability position of subsidiaries. If there is an indication of possible impairment, the recoverable amount of any affected financial asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. See note 10 for the net carrying amount of the financial assets.

5 Exceptional item

	2018 Stg£	2017 Stg£
Profit on disposal of investment property (Note 9)	316,956	-
Impairment in the carrying value of financial assets (Note 10)	(94,000,000)	(18,000,000)
Profit on disposal of financial assets (Note 10)	4,500,000	-
	(89,183,044)	(18,000,000)

6 Operating loss

	2018 Stg£	2017 Stg£
The loss on ordinary activities before tax is arrived at after charging/(crediting):		
Bank charges	1,080	1,154
Foreign exchange (gain)/loss	(143)	54

The company had no employees in the current or prior year.

The auditors' remuneration and any incidental costs incurred by the company are borne by another group company. There is no directors' remuneration in respect of this company.

7 Interest

	2018 Stg£	2017 Stg£
Interest receivable and similar income:		
Interest receivable on loan note due from joint venture	-	149,119
Interest payable and similar expenses:		
Interest payable to group undertakings	14,508,849	15,049,789

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Tax on loss

	2018 Stg£	2017 Stg£
(a) Tax expense/(credit) included in profit or loss		
Current tax:		
UK corporation tax on loss for the financial year	-	-
Adjustment in respect of prior years	-	(269)
Current tax expense/(credit) for the financial year	-	(269)
Deferred tax:		
Deferred tax expense for the financial year	-	-
Tax expense/(credit) on loss	-	(269)

(b) Reconciliation of tax expense/(credit)

Tax assessed for the financial year is higher (2017: higher) than the standard rate of corporation tax in the UK for the financial year ended 31 July 2018 of 19% (2017: 19.67%). The differences are explained below:

	2018 Stg£	2017 Stg£
Loss before taxation	(103,696,144)	(32,870,412)
Loss multiplied by the standard rate of tax in the UK for the financial year ended 31 July 2018 of 19% (2017: 19.67%)	(19,702,267)	(6,465,610)
Effects of:		
Group relief (claimed)/surrendered	(189,424)	(29,060)
Expenses not deductible for tax purposes	20,806,914	6,503,374
Income not taxable	(915,223)	(8,704)
Adjustment in respect of prior years	-	(269)
Tax expense/(credit) on loss	-	(269)

9 Investment property

	Stg£
Balance at 31 July 2017 and 1 August 2016	5,000,000
Disposal during the year	(5,000,000)
Balance at 31 July 2018	-

During the financial year ended 31 July 2018 the investment property held was disposed of for net proceeds of £5,316,956. This resulted in a gain of £316,956 being recognised (note 5).

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Financial assets

	2018 Shares in subsidiary and joint venture undertakings Stg£	2017 Shares in subsidiary and joint venture undertakings Stg£
At 1 August	149,783,346	167,783,346
Impairment in the carrying value of investments	(94,000,000)	(18,000,000)
Disposal	(16,500,000)	-
At 31 July	39,283,346	149,783,346

During the year, the company performed a review of the carrying value of its investments in group companies. As a result of this review, the company has written down the assets to their recoverable amounts. This review has resulted in impairment loss of £94,000,000 on investments. This was as a result of the significant reductions in the profitability in the UK during the year. The UK business was impacted by continued higher input costs arising from foreign exchange rate changes, and volume declines.

While profitability is expected to improve in the future, including the benefits from the group's Project Renew improvement programme, after considering the respective future cash flow projections and the financial assets and liabilities, the directors determined it was appropriate to record an impairment in the investment during the year.

During 2018 the company disposed of its investment in Signature Flatbreads (UK) Limited for proceeds of £21,000,0000, resulting in a gain of Stg£4,500,000, see note 5.

During 2017 ARYZTA UK Holdings Limited reviewed the carrying value of investments in group companies. As a result of this review, the company has written down the assets to their recoverable amounts. The review resulted in the impairment of investments of £18,000,000.

The cumulative provision for diminution in value of financial fixed assets amounts to Stg£112,000,000 (2017: Stg £18,000,000).

Details of undertakings in which the company holds more than 20% of any class of equity share capital are given below:

Name of company	**Holding**	**Proportion held**	**Principal activity**	**Registered office**
Delice de France Limited	249,999 ordinary shares of Stg£1 each	100%	Distribution of speciality bread products	1
ARYZTA Bakeries UK Limited	610,000 ordinary shares of Stg£1 each	100%	Production and distribution of speciality bread products	1
Boulangeries de France Limited	10,000 ordinary shares of Stg£1 each	100%	Distribution of speciality bread products	1

(1) Registered in England and Wales

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors

	2018 Stg£	2017 Stg£
Amounts falling due within one year:		
Amounts due from group undertakings	41,876,901	42,871,880
Taxation recoverable	997,667	997,667
Total amounts falling due within one year	42,874,568	43,869,547

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors: amounts falling due within one year

	2018 Stg£	2017 Stg£
Amounts owed to group undertakings	259,372,560	272,177,667
Accruals	9,839	13,583
	259,382,399	272,191,250

Amounts due to group undertakings are unsecured and repayable on demand. Interest is charged on certain loans at rates ranging from 3.66% to 7.25%.

13 Called up share capital and reserves

	2018 Stg£	2017 Stg£
Issued, called up and fully paid		
493,681 (2017: 493,681) ordinary shares of Stg£1 each	493,681	493,681
40,000 (2017: 40,000) ordinary shares of US$1 each	20,379	20,379
	514,060	514,060

A description of each reserve within equity is outlined below:

Revaluation reserve
This reserve arose on application of the revaluation model for certain classes of tangible fixed assets prior to the transition FRS 102 and is attributable to the revaluation surplus on those assets at 1 January 2014 less the deferred tax on the revaluation timing difference. This asset was disposed of in the current financial year.

Profit and loss account
Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

14 Events since the end of the financial year

There have been no events since the year end which would require disclosure in the financial statements.

15 Approval of financial statements

These financial statements were approved by the board on 21 June 2019