Associated British Foods plc

ANNUAL REPORT AND ACCOUNTS 2019

Grocery

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Sugar

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Agriculture

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Retail

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ABOUT ASSOCIATED BRITISH FOODS

Our purpose is to provide safe, nutritious, affordable food and clothing that is great value for money.

Well-loved household brands

9/10

UK households use our brands

A leader in our markets

Grocery
Our grocery brands occupy leading positions in markets across the globe. In the UK, nine out of ten households use our brands.

Sugar
AB Sugar is one of the largest sugar producers in the world. Illovo is the largest sugar producer in Africa and British Sugar is the sole processor of the UK sugar beet crop.

Agriculture
AB Agri is the UK's largest agri-food company and a leader in nutrition, science and technological innovation in animal feed.

Ingredients
Our Ingredients business is a leader in yeast, bakery ingredients and specialty ingredients for the food, feed and pharmaceutical industries.

Retail
Primark is the largest clothing, footwear and accessories retailer in the UK, and also has a significant store portfolio in ten European countries and in the US.

SHAKING IT UP FOR 50 YEARS

50

PRIMARK 1969-2019

Read more
page 2

Acting responsibly

Respecting everyone's **dignity**

Acting with **integrity**

Progressing through **collaboration**

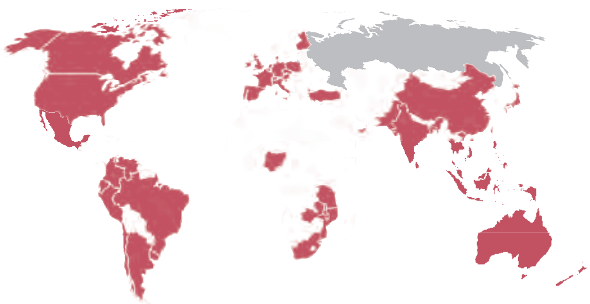
Pursuing with **rigour**

Read more about our values and how we make a difference in our 2019 Responsibility Report
www.abf.co.uk/responsibility

A global presence

52

countries operated in worldwide



An entrepreneurial spirit

138,000

people worldwide

Read more about our people
www.abf.co.uk/responsibility

FINANCIAL HEADLINES

Associated British Foods is a diversified international food, ingredients and retail group with sales of £15.8bn, 138,000 employees and operations in 52 countries across Europe, southern Africa, the Americas, Asia and Australia.

Group revenue

£15.8bn
Actual +2%
Constant currency: +2%

Adjusted operating profit

£1,421m
Actual +1%
Constant currency: +1%

Adjusted profit before tax

£1,406m
Up 2%

Adjusted earnings per share

137.5p
Up 2%

Dividends per share

46.35p
Up 3%

Gross investment

£837m

Net cash

£936m

Operating profit

£1,282m
Down 5%

Profit before tax

£1,173m
Down 8%

Basic earnings per share

111.1p
Down 13%

Review of the year online:
www.abf.co.uk/ar2019

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items. These items, together with profits less losses on the sale and closure of businesses, are excluded from adjusted profit before tax and adjusted earnings per share. References to operating profit in the Operating review are based on this adjusted operating profit measure.

Constant currency figures are derived by translating the 2018 results at 2019 average exchange rates, except for countries where consumer price inflation has escalated to extreme levels, in which case actual rates are used.

References to underlying profit for Twinings Ovaltine and Grocery exclude a £12m charge in 2019 in respect of the closure of the Twinings tea factory in Jinqiao, China.

A DIVERSE GROUP OF BUSINESSES

Grocery

Household food brands enjoyed all over the world

Read more page 12

100
Twinings and Ovaltine enjoyed in over 100 countries

16,000
employees

Sugar

A world-leading sugar business focused on excellence

Read more page 22

24
plants worldwide

34,000
employees

Agriculture

Products and services for the agri-food industry

Read more page 30

65
countries worldwide

3,000
employees

Ingredients

Yeast, bakery and specialty ingredients supplied globally

Read more page 34

52
plants in production for AB Mauri

7,000
employees

Retail

Quality fashion at value-for-money prices

Read more page 40

373
stores

78,000
employees

Revenue

£3,521m

2018: £3,420m

Adjusted operating profit

£380m

2018: £335m

Twinings and Ovaltine
Twinings and Ovaltine are our leading global hot beverage brands enjoyed in over 100 countries.

Europe and international
Our portfolio includes Mazzetti balsamic vinegars, Jordans and Dorset cereals, Ryvita, Kingsmill, Patak's and Blue Dragon, Silver Spoon and Billington's sugars.

The Americas
In the US, Mazola is the leader in corn oil and we sell a range of baking brands through retail and foodservice channels. Capullo is a premium canola oil in Mexico.

Australia
Ham, bacon and smallgoods under the Don and KRC brands. Tip Top Bakeries produce a range of well-known breads and baked goods. Yumi's produces hommus, vegetable dips and snacks.

Revenue

£1,608m

2018: £1,730m

Adjusted operating profit

£26m

2018: £123m

Europe
Our UK beet sugar factories typically produce well over 1 million tonnes of sugar annually. Azucarera in Spain produces beet sugar from three factories and also refines sugar from cane raws.

Southern Africa
Illovo is Africa's largest sugar producer with agricultural and production facilities in six countries. Typical annual sugar production is 1.7 million tonnes.

China
We operate two beet sugar factories in the north east of China, with annual sugar production capacity of over 180,000 tonnes.

Revenue

£1,385m

2018: £1,350m

Adjusted operating profit

£42m

2018: £59m

AB Agri
AB Agri produces animal feed, nutrition- and technology-based products and services for the agri-food industry. It operates all along the food, drink and biofuel industry supply chains.

It supplies compound animal feed, feed enzymes, specialised feed ingredients and a range of value-add services to farmers, feed and food manufacturers, processors and retailers. It also buys grain from farmers and supplies crop inputs through its joint venture arable operation, Frontier Agriculture.

Revenue

£1,515m

2018: £1,459m

Adjusted operating profit

£136m

2018: £143m

Yeast and bakery ingredients
AB Mauri operates globally in yeast and bakery ingredients production, supplying industrial and artisanal bakers and the foodservice and wholesale channels. It is a technology leader in bread improvers, dough conditioners and bakery mixes.

Specialty ingredients
ABF Ingredients produces value-added products and services for food and non-food applications.

It manufactures and markets enzymes, specialty lipids, yeast extracts, extruded ingredients, pharmaceutical excipients and antacids worldwide with manufacturing facilities in Europe, America and India.

Revenue

£7,792m

2018: £7,477m

Adjusted operating profit

£913m

2018: £843m

Primark
Primark is a major retail group operating stores in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France, Italy, Slovenia and the US.

It offers customers quality, up-to-the-minute fashion at value-for-money prices.

Buying and merchandising teams in Dublin (Republic of Ireland) travel internationally to source and buy fashion items that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery, beauty and homeware.

"The resilience of the group was demonstrated this year.

Michael McLintock
Chairman

It is a testament to the breadth of the group that profit growth was achieved in a year where the effects of a radical change in the European sugar market fully impacted our businesses.

In a period when our ongoing sugar businesses experienced a significant drop in profits, the resilience of the group was demonstrated by an increase in the profits of our non-sugar activities, mainly driven by strong performances from Grocery and Primark. Revenues were 2% higher than last year at £15.8bn and adjusted operating profit was 1% ahead at £1,421m. There was a minimal effect from currency translation and so revenue and profit increases were broadly the same at constant currency. Net finance expense was much lower than last year following the maturity of a portion of the group's private placement notes and other financial income was higher as a consequence of an increase in the surplus of our defined benefit pension schemes between the 2017 and 2018 year ends. The group's adjusted effective tax rate of 21.5% was in line with last year. Adjusted earnings per share increased by 2% to 137.5p.

This year Primark celebrated the 50th anniversary of the opening of its first store, and I am pleased to report another year of strong progress and notable achievements. The expansion in selling space included Birmingham High Street, a showcase for our entire product range and innovative in-store experiences, and our first move into eastern Europe with the opening of a store in Slovenia. Our stores in the US performed very well and we have announced four further stores to open in the near future. Primark again demonstrated its track record for operational excellence with further improvements in buying and stock management.

Adjusted operating profit at Grocery was well ahead of last year. The margin improvement was broad-based, with excellent performances from our businesses in Australia and the US, Acetum, which was acquired last year, and Twinings Ovaltine on an underlying basis. Profit was down substantially at AB Sugar, mainly due to the effect of a further decline in EU sugar prices last year. This decline resulted from a coincidence of a regional oversupply of sugar and the end of the EU sugar regime. Following the subsequent reduction in EU sugar supply, sugar prices have increased and we look forward to a material increase in our Sugar profit in the coming year.

We continued to invest for the long term, with a gross investment of £837m comprising capital expenditure of £737m and acquisitions of £100m. The capital expenditure for Primark was driven by investment in selling space expansion, supply chain and infrastructure. Investments in our food businesses focused on capacity expansion and projects to drive further operational efficiencies.

In September 2018 we were delighted to acquire Yumi's, an Australian producer of premium chilled dips and snacks, and, on 6 September 2019, Anthony's Goods, a California-based online marketer and blender of speciality baking ingredients. We also signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing activities and technical expertise in China with Wilmar's extensive sales and distribution capability.

> We have set out our four group-wide values this year.

www.abf.co.uk/responsibility

We delivered a stronger operating cash flow this year and the closing net cash position of £936m, before the adoption of IFRS 16 from the coming year, compared to £614m at last year end. The group has the financial strength to invest in all its businesses and to continue to pursue value accretive acquisition opportunities.

Statutory operating profit for the year was 5% down at £1,282m after taking into account exceptional charges of £79m. Losses on sale and closure of businesses increased to £94m this year and as a result, the statutory profit before tax reduced by 8% to £1,173m and basic earnings per share reduced by 13% to 111.1p.

Corporate responsibility
At Associated British Foods, our purpose is to provide safe, nutritious, affordable food and clothing that is great value for money. We are committed to being a good neighbour and supporting the communities where we operate.

This year we have, for the first time, set out our four group-wide values: acting with integrity, respecting everyone's dignity, progressing through collaboration and pursuing with rigour. These values provide clarity and guidance across all our businesses for employees, customers, suppliers and shareholders alike.

Our businesses have always aimed to make a lasting positive contribution to society and our 2019 Responsibility Report, *Living our values*, details the actions we are taking to invest in our people, support society, strengthen supply chains and respect our environment. To see how we make a difference, please download *Living our values*, at www.abf.co.uk/responsibility.

Remuneration
This year we have undertaken a review of the group's executive reward arrangements which has included consultation with some of the group's largest shareholders. As a result, a number of changes are proposed to our remuneration policy to further improve alignment with shareholder interests and these are set out in the Remuneration Report.

The board
In September 2018 we welcomed Graham Allan to the board as a non-executive director. I want to thank Graham for also leading this year's internal evaluation of the board and its committees. Javier Ferrán stood down at our Annual General Meeting in December 2018 and my last statement recorded my thanks to Javier. Ruth Cairnie took on the responsibilities of Senior Independent Director. Richard Reid was appointed as designated non-executive director for engagement with the workforce.

Employees
These results are a tribute to the ongoing dedication and commitment of our 138,000 employees during the past year. Operating in 52 countries, some of which are challenging markets, they have delivered operational improvements which have underpinned the increased profit and cash generation that we report today. I would like to thank all of our employees for their valuable contribution, determination to succeed and in bringing our values to life every day.

Dividends
I am pleased to report that a final dividend of 34.3p is proposed to be paid on 10 January 2020, to shareholders on the register on 13 December 2019. Together with the interim dividend of 12.05p paid on 5 July 2019, this will make a total of 46.35p for the year, an increase of 3%.

IFRS 16 *Leases*
The group will adopt the new accounting standard IFRS 16 *Leases* from the coming financial year. This is a significant accounting change for the group and will bring lease liabilities of £3.6bn on to the balance sheet, predominantly relating to Primark's leasehold stores. Under our chosen transition option, the results for the 2019 financial year will not be restated. However, we have set out the pro forma effects on our financial results this year, and on the key metrics for Primark, in the Financial review.

Outlook
In the coming year, AB Sugar will benefit materially from the increase seen this year in EU sugar prices and from further cost reduction. We expect another year of strong profit and margin growth in Grocery, with Twinings Ovaltine in particular benefiting from a more efficient tea supply chain.

Primark will continue to expand its selling space next year, with the most stores being added in France and Spain. Looking further ahead, Primark has a strong pipeline of good quality sites. We expect cost reductions in both the cost of goods and overheads during the year, but the weakness of sterling during this financial year will result in a margin decline for Primark in the first half. The sterling exchange rate is currently very volatile but, at current exchange rates, we expect margin in the second half to be in line with the same period this year and margin for the full year to be only a small reduction on that achieved this year. Margin comparisons are on a lease-adjusted basis.

Our businesses have completed all practical preparations for Brexit and contingency plans are in place should our businesses experience some disruption at the time of exit.

Taking these factors into account, at this early stage, we expect progress, on both a reported and an IFRS 16 adjusted basis, in adjusted earnings per share for the group for the coming year.

Michael McLintock
Chairman

Chief Executive's statement

> "The group made further progress this year.
>
> **George Weston**
> **Chief Executive**

The group made further progress this year. Group revenue increased by 2% to £15.8bn and adjusted operating profit of £1,421m was 1% higher than last year, at constant currency.

Our Grocery businesses enjoyed a successful year, with strong underlying profit growth of 14% after adjusting for the £12m cost for the closure of the Twinings tea factory in China. George Weston Foods in Australia, ACH in the US and Acetum all delivered particularly impressive margin improvements through better procurement and cost reduction. We continued to invest in our manufacturing capability and the new facilities commissioned for Ryvita and for noodle production will increase capacity and product innovation. At Allied Bakeries we are committed to reducing the operating losses this coming year, with a programme of cost reductions. These follow the closure of the Cardiff bakery at the end of the financial year. We continued to develop our presence in the faster growing segments of the grocery market and see much potential from our recent acquisitions of Yumi's in Australia and Anthony's Goods in the US.

Primark marked its 50th anniversary by delivering an 8% increase in profit. 14 new stores were added across the UK and continental Europe in the year, including our largest ever store, in Birmingham. Looking forward, France, Italy, Spain, eastern Europe and the US provide the most significant prospects for further growth. Our buying team delivered a further improvement in margin, driven by exciting on-trend ranges, better buying and reduced markdowns. We continued to put the customer at the heart of our digital campaigns, with our social media channels now boasting 20m followers, up from 13m last year. We successfully collaborated with high profile influencers with whom we launched special collections throughout the year, generating further social media reach. We achieved another year of substantial market share growth in the UK. The group's like-for-like sales decline of 2% was significantly affected by weak trading in Germany where we have been taking action to address performance. A new managing director is in role and is leading a number of initiatives which include targeted local marketing campaigns.

Profit at AB Sugar was well down on the prior year, as expected, due to lower EU sugar prices and a poor crop in China. With our ongoing focus on performance improvement and cost reduction, improving EU sugar prices and the continued strength of Illovo we look forward to an improvement in the profit and return on capital employed for our sugar business in the coming year.

AB Agri experienced a difficult year, with the loss of co-products following the closure of the Vivergo bioethanol plant last year, lower UK feed margins and a smaller sugar beet crop. Our Ingredients business was impacted by the challenging economic environment

in Argentina and this year's result includes a hyperinflationary accounting charge for the first time.

Brexit
The group's business model, wherever possible, aligns food production with the end market for the product while Primark operates largely discrete supply chains for its stores in each of the UK, US and EU27. The group therefore undertakes relatively little cross-border trading between the UK and the rest of the EU and consequently we do not expect Brexit to have a significant effect on the group's results. Nevertheless, we have evaluated the forms that Brexit could take and our businesses have completed all practical preparations and have contingency plans in place should they experience some disruption at the time of exit.

Arthur Ryan
Arthur Ryan, the founder of Primark, passed away in July this year after a short illness. My grandfather and uncle recruited Arthur to run Penneys in 1969 with only one store in Dublin. He went on to build a phenomenal world-class retailer, making fashion accessible to all, and his legacy looms large as one of the great giants of retailing. We will all miss his larger-than-life presence, his sharp wit and his friendship.

George Weston
Chief Executive

"Primark marked its 50th anniversary this year."

SHAKING IT UP FOR 50 YEARS
50
PRIMARK 1969-2019

Read about Primark's 160,000 sq ft new store in Birmingham
page 46

A DIVERSIFIED INTERNATIONAL GROUP

Our purpose

At Associated British Foods we believe our purpose is to provide safe, nutritious, affordable food and clothing that is great value for money.

Business structure

Our businesses are organised so that they are close to the markets and customers they serve.

Grocery | Sugar | Agriculture | Ingredients | Retail

Strategy

The corporate centre agrees strategy and budgets with the businesses and monitors their performance closely.

Grocery strategy page 13

Sugar strategy page 23

Agriculture strategy page 31

Ingredients strategy page 35

Retail strategy page 41

Organic growth

Organic growth is achieved through investment in marketing, in the development of existing and new products and technologies, and in targeted capital expenditure to improve efficiency and expand capacity.

Operating review page 12

Our values

Our values are a common thread that ties all of our businesses together.

Respect

Integrity

Collaboration

Rigour

Responsibility page 53

Business structure

The group is managed as five business segments that bring together common industry expertise, operational capability and market intelligence. Operational decisions are made locally because, in our experience, they are most successful when made by the people who have the best understanding of their markets and who have to implement them.

The corporate centre aims to provide a framework in which our business leaders have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair. The centre is small and uses short lines of communication to ensure prompt, incisive and unambiguous decision-making. It ensures that business activities are appropriately monitored and supported.

Strategy

The group balance sheet is managed to ensure long-term financial stability, regardless of the state of capital markets, and capital funding is made available to all of our businesses where returns meet or exceed clearly-defined criteria. The centre provides selected services where the scale of its operations enables a more cost-effective or efficient delivery, where expertise that might not be available at a business level can be retained by the group, or where the provision of such services would otherwise distract business executives.

Such services include investor relations, pensions, insurance, legal support, tax and treasury management, where specialist expertise is brought together in one place for the benefit of the group as a whole. The centre also co-ordinates selected value-added capabilities to support the businesses in their local markets such as talent management and development, procurement, and the sharing of best practice in, for example, health and safety or engineering risk management. We operate to high ethical standards as an organisation and expect the same of our employees. We encourage an open and honest culture in all our dealings and ensure that our core values are fully implemented throughout the group.

Organic growth

We are committed to innovation, the continuous pursuit of improvement and the maintenance of our efficient manufacturing capability.

The group takes a long-term approach to investment and is committed to increasing shareholder value through sound commercial, responsible and sustainable business decisions that deliver steady growth in earnings and dividends. We aim to operate in a sustainable, ethical, efficient and safe manner. We have a strong culture of continuing operational improvement and focus on delivering exceptional quality and customer service.

Acquisitions are made to complement existing business activities and to exploit opportunities in adjacent markets or geographies.

Our values and culture

We pride ourselves on being a first-class employer and we work actively to develop capability and create opportunities for employee progression. As a result, people tend to stay with the group for a long time and build exciting careers. Whether through formal training and apprenticeships, cross-fertilisation of skills between roles or mentoring, we encourage and support everybody to thrive at work.

Being part of Associated British Foods means being part of a community that respects human rights and celebrates diversity. We recognise the United Nations Guiding Principles on Business and Human Rights and aim to adhere to the core ILO conventions and all relevant laws relating to working conditions and environment.

We live and breathe our values through the work we do every day. We have articulated a set of four values that reflect the way we conduct ourselves in every business across the group. These values are:

- **Respecting everyone's dignity:** We strive to protect the dignity of everyone within and beyond our operations.
- **Acting with integrity:** We proudly promote and protect a culture of trust, fairness and accountability that puts ethics first. From farms and factories right through to our boardroom we are committed to embedding integrity into every action.
- **Progressing through collaboration:** We work with others to leverage our global expertise for local good.
- **Pursuing with rigour:** From the products we make, to the way we preserve the resources we rely on, we are always learning and incorporating better practices.

Our values can be seen in action, for example, in our work in investing in the health and safety of our colleagues, promoting diversity, or in respecting human rights through our supply chain programmes. Numerous business-specific examples of such activities are highlighted throughout this report and also in our 2019 Responsibility Report.

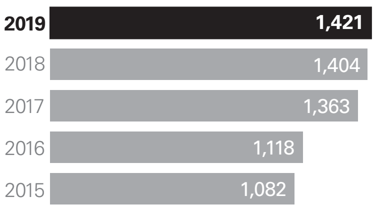
Our Company's values are lived out best when they encourage our employees to feel supported to bring their values and passions to work. It is also in the many acts of decency, kindness and neighbourliness that take place across our business every day that our values are truly found.

Responsibility: People
page 55

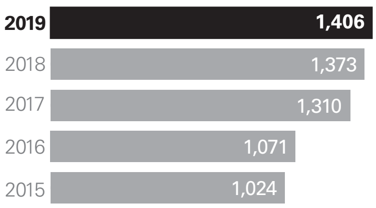
MEASURING OUR PERFORMANCE

Financial

Adjusted operating profit (£m)

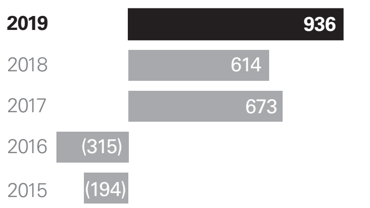


Adjusted profit before tax (£m)



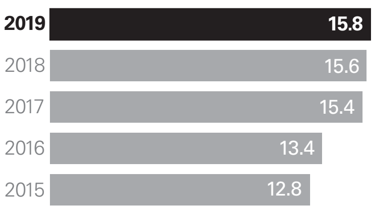
Adjusted profit and earnings measures are used to provide a consistent indicator of underlying performance year-on-year and are aligned with incentive targets.

Net cash/(debt) (£m)



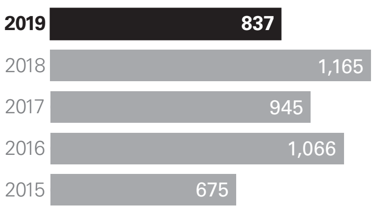
Cash and cash equivalents less loans and other borrowings. This measure is used to monitor the group's liquidity and capital structure and, where relevant, to calculate ratios associated with the group's bank covenants.

Group revenue (£bn)



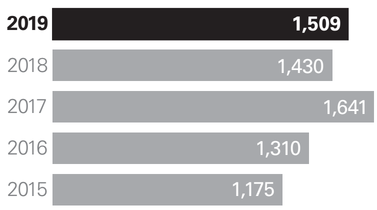
Monitoring of revenue provides a measure of business growth. Constant currency comparisons are also used to provide greater clarity of underlying performance.

Gross investment (£m)



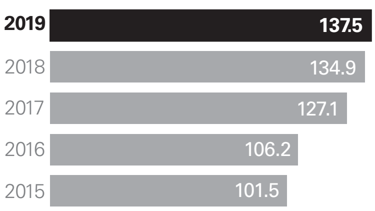
A measure of the commitment to the long-term development of the business through expenditure on property, plant and equipment, intangible assets, biological assets and the acquisition of new businesses or minority interests in existing operations.

Cash generation (£m)

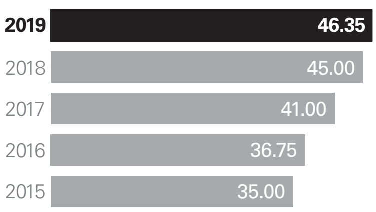


Net cash generated from operating activities is monitored to ensure that profitability is converted into cash for future investment and as a return to shareholders.

Adjusted EPS (pence)



Dividend per share (pence)



The group's organic growth objective aims to deliver steady growth in earnings and dividends over the long term. Adjusted earnings per share is a key management incentive measure.

Return on capital employed (%)

Adjusted operating profit expressed as a percentage return on the average capital employed in the business throughout the year.

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items. These items, together with profits less losses on the sale and closure of businesses, are excluded from adjusted profit before tax and adjusted earnings per share.

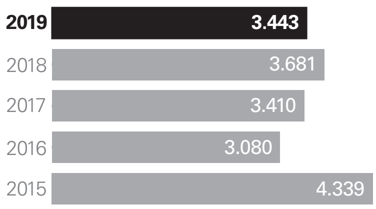
We use key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and to monitor performance.

Non-financial

Number of employees

A measure of the scale and growth of the group – the average number of people employed during the financial year with a contract of employment, whether full-time, part-time, contractor or seasonal worker.

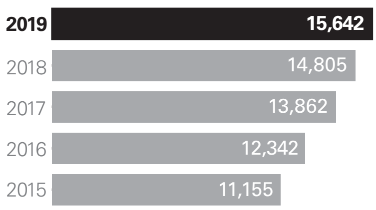
Tonnes of sugar produced (m)



A measure of the scale and development of the group's sugar operations.

Number of countries of operation (Primark)

Primark selling space (sq ft 000)

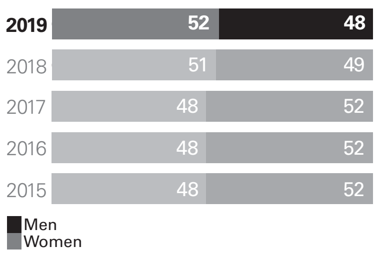


The number of countries and the retail selling space from which Primark operates are measures of the breadth, scale and growth of the business.

Reportable injury rate (%)

A measure of the group's management of the health and safety of its workforce – the number of injuries resulting from an accident arising out of, or in connection with, work activities that were required to be reported to external regulatory authorities, divided by the average number of employees.

Gender balance in workforce – all employees (%)



A measure of the gender balance of all employees in the group with a contract of employment, whether full-time, part-time, contractor or seasonal worker.

Each business develops KPIs that are relevant to its operations. These are regularly monitored and, in the case of adjusted operating profit and return on capital employed, are variously used as local management incentive measures. Additional performance measures, both financial and non-financial, are detailed by business segment in the operating review and in the Corporate Governance Update.

ABOUT GROCERY

Grocery comprises consumer-facing businesses that manufacture and market a variety of well-known household brands both nationally and internationally.

Twinings Ovaltine
The largest of our grocery businesses, Twinings and Ovaltine have broad geographical reach. Twinings has been a major tea business since 1706 and now sells premium teas and infusions in more than 100 countries. Ovaltine malted beverages and snacks are consumed throughout the day in countries across the globe.

Acetum
Acquired in 2017, Acetum is the leading Italian producer of Balsamic Vinegar of Modena. It sells vinegars, condiments and glazes across the globe, trading under the Mazzetti brand.

AB World Foods
AB World Foods focuses on the creation and development of world flavours and its Patak's and Blue Dragon branded products are sold internationally.

Westmill Foods
Westmill Foods specialises in high-quality ethnic foods including rice, spices, sauces, oils, flour and noodles sold under brands such as Rajah, Lucky Boat, Tolly Boy and Elephant.

Jordans Dorset Ryvita
Jordans Dorset Ryvita operate in the better-for-you cereal and savoury biscuits categories with increasing international presence. Jordans has a heritage of using traditional methods in the production of its wholegrain cereals and cereal bars. Dorset's award-winning muesli and granolas are renowned for the quality of their natural ingredients. Ryvita has a strong reputation in healthy snacking and is the UK category leader in crispbreads.

Allied Bakeries
Allied Bakeries produces a range of bakery products under the Kingsmill, Sunblest, Allinson and Burgen brands, with flour and semolina produced by sister company, Allied Mills. Speedibake specialises in own-label baked goods, such as muffins and doughnuts, for retail and foodservice customers.

George Weston Foods, Australia
George Weston Foods is one of Australia and New Zealand's largest food manufacturers. Tip Top is one of the most recognised brands in Australia with an extensive range of bread and baked goods. The Don and KR Castlemaine brands manufacture a variety of bacon, ham and meat products. Yumi's produces hommus, vegetable dips and snacks and is the leader in the Australian market.

ACH Foods, North America
ACH Foods includes within its range of branded products Mazola, the leading corn oil in the US, Capullo, a premium canola oil in Mexico and renowned baking brands such as Fleischmann's yeast, Karo corn syrup and Argo corn starch.

Silver Spoon
Silver Spoon and Billington's are our two retail sugar brands in the UK, complemented by a range of dessert toppings and syrups under the Askeys and Crusha brands.

Sports Nutrition
HIGH5 and Reflex Nutrition are brands in the sports nutrition sector producing protein supplements, recovery gels and drinks in the UK and sold internationally.

100
Twinings and Ovaltine enjoyed in 100 countries

16,000
employees

Grocery strategy

Each of our Grocery businesses pursues an independent strategy appropriate to its particular market position and stage of development. Twinings, Ovaltine, Acetum, Jordans Dorset Ryvita and AB World Foods have had considerable success extending their reach into new and emerging markets, whilst some are focused on developing brands in their core domestic markets.

All of these businesses are committed to the consistent development of their brands, and consumer research is conducted locally and internationally to establish consumer needs and ensure appropriately targeted investment. Our production facilities are well maintained, and we take a long-term approach to capital investment, recognising the merits of building for the future. Acquisitions are undertaken when opportunities are presented to either strengthen or complement existing businesses.

Revenue

£3,521m

2018: £3,420m

Actual fx: +3%
Constant fx: +2%

Adjusted operating profit

£380m

2018: £335m

Actual fx: +13%
Constant fx: +10%

Adjusted operating profit margin

10.8%

2018: 9.8%

Return on average capital employed

27.4%

2018: 25.9%

HOUSEHOLD FOOD BRANDS ENJOYED ALL OVER THE WORLD

Grocery revenues were 2% ahead of last year at constant currency and growth in adjusted operating profit was excellent at 10%. This year's result included a £12m one-time cost for the closure of the Twinings tea factory in China. Adjusting for this, operating profit was up 14% at constant currency. Margin, at 10.8%, improved significantly again this year with major improvements delivered by George Weston Foods in Australia, ACH in the US, Acetum and Twinings Ovaltine, on an underlying basis.

Twinings delivered good revenue growth and benefited from the success of Cold Infuse teas in their launch markets of the UK and Australia. During the summer, distribution began in the US while the range was extended with new flavours and Kids Cold Infuse. The development of our herbal teas range included new launches in Australia and France and good growth from Superblends in the UK. Ovaltine sales growth was supported by another year of success of new product launches in Switzerland and good growth in Thailand, China and Myanmar. Following the transfer of tea production from Jinqiao, China to our existing site in Swarzedz, Poland during the first half, new supply routings have been established and are functioning well.

At Allied Bakeries revenues progressed this year following price increases agreed with a number of customers. As previously advised, the termination of our largest private label bread contract will lead to a volume loss in our next financial year. As a consequence, the carrying value of the assets in this business was no longer supported by our forecasts of its discounted future cash flows and a non-cash impairment charge of £65m has been recognised as an exceptional item in the income statement. We have taken steps to reduce our capacity and closed our Cardiff bakery at the end of the year. During the coming year we will implement cost reductions in a number of operational areas to further reduce the losses in this business.

Jordans, Dorset Cereals and Ryvita delivered an improved manufacturing capability, with the commissioning of the new Ryvita bakery in Bardney, Lincolnshire, and the transfer of muesli production to a state-of-the-art facility in Poole, Dorset. Margin declined due to higher raw materials costs. Silver Spoon expanded distribution in the UK, winning a sugar contract with a major retailer.

AB World Foods enjoyed a record year with strong growth in both the UK and internationally. Sales at Blue Dragon were driven by an expanded range of meal kits while Patak's grew sales of pappadums and continued to enjoy success with paste pots. Westmill relaunched its Rajah spice range and commissioned a further noodle production line at its factory in Manchester, although rice margins fell in a highly competitive market.

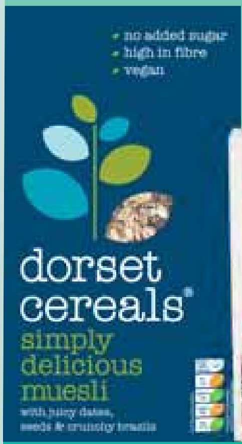
At Acetum, our leading balsamic vinegar producer, margins improved significantly as grape must prices returned to lower levels than the exceptionally high level that followed the poor grape harvest in 2017. During the year investment was made to support the market entry of the Mazzetti brand in the UK.

Operating profit for our grocery businesses in North America was well ahead of last year. ACH performed strongly, with excellent margin improvement driven by lower oil commodity costs, further market share gains in Mazola corn oil and improved trading in syrup and baking products in Mexico. On 6 September 2019 we completed the acquisition of Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients. This acquisition will complement ACH's leading position in cooking and baking brands in North America and will provide a presence in the emerging, fast-growth market of premium organic foods.

George Weston Foods in Australia delivered excellent margin and operating profit growth. Tip Top achieved strong sales in packaged bread and realised improved margins driven by operational efficiencies, while the Don meat business significantly increased operating profit and benefited from favourable commodities management. In September 2018 we acquired Yumi's, a producer and marketer of premium chilled dips and snacks. Sales grew strongly, a new range of lentil and pulses dips were well received, and the business became the market leader in the chilled dips category in Australia during the year.

In action

Poole, Dorset



Bardney, Lincolnshire

Biggleswade, Bedfordshire

FUELLING GROWTH

Over the past three years Jordans Dorset Ryvita has made major improvements to its supply chain in the UK to improve efficiency and facilitate further international growth.

The programme has included the consolidation of the businesses' production footprint, together with investment in new state-of-the-art equipment for cereal bars, muesli and crispbread. The focus has been on building core manufacturing capability in the principal production sites in Bedfordshire, Lincolnshire and Dorset.

- In 2018, we moved muesli manufacturing operations into a purpose-built facility in Poole, Dorset. This new facility allowed for increased production volume while being closer to port facilities to simplify export sales.
- At the same time the business has opened a new production facility in Bardney, Lincolnshire to produce Ryvita crispbread. The new factory, built on a former British Sugar site, is using the latest machinery to produce Ryvita products using less energy and generating less waste.
- Finally, in 2019 we announced our investment in a new cereal bar production facility in Biggleswade, Bedfordshire. Jordans was the first company to launch a cereal bar in the UK in 1981 and this new production line will improve efficiency and enable innovative new product recipes.

This investment comes on the back of significant international sales growth for the business, which requires a more flexible supply chain capable of making different products for multiple markets. International sales now account for approximately half of our overall output, with key countries including France, Canada and Australia and recent entry into Brazil and Germany.

MAKING YOU

SUPERBLENDS
NEW
TWININGS
DEFENCE
CITRUS & GINGER WITH GREEN TEA & ECHINACEA
VIT C
20
SUPERBLENDS
NEW
TWININGS
ENERGISE
GREEN TEA
MANDARIN & APPLE WITH GUARANA
VIT B6
20

FEEL SUPER

Twinings has tapped into the growing desire for products that both taste good and do you good, with the successful UK launch of Superblends green teas and infusions.

1m

UK households purchased the brand in first 12 months

The new range is made with botanicals, natural flavours and 'super' ingredients to support everyday wellbeing. Leading medical herbalist Pamela Spence advised Twinings on how best to select and combine key ingredients, working with our master blenders to carefully craft each blend. The flavours combine familiar favourites with delicious twists, such as mango and pineapple with ginseng root and added vitamin B6.

Championing wellbeing

We developed Superblends in response to the increasing demand for convenient food and drink products that support a healthy lifestyle. The brand is positioned as the champion of consumers' everyday wellbeing. Its strapline 'Here for you' emphasises Superblends' core promise of 'a helping hand to keep you feeling great' and product names refer to positive states, such as Sleep or Glow, or to their superfood ingredients, like turmeric or beetroot.

Our launch marketing complemented this nurturing stance, with Twinings collaborating with health and wellness influencers to provide consumers tips for mental resilience, from practising mindfulness to taking time out.

The first seven Superblends flavours were launched in February 2018, with four additional products following successfully in spring 2019. In the first 12 months, one million UK households purchased the brand.

The new range again demonstrates Twinings' ability to extend beyond its traditional black tea heritage and develop innovations that appeal to new, often younger audiences. The three-centuries-old brand, which is already the UK market leader in infusions and green tea, is now looking to further expand the Superblends portfolio.

MAKING LIVES BETTER AT THE SOURCE

Twinings' 'Sourced with Care' programmes have helped more than one-third of a million people in our supplier communities enjoy better lives.

The initiative focuses on three pillars: improving life opportunities by empowering women and young people through health and education; improving living standards with better living conditions; and boosting livelihoods by protecting workers' rights and improving incomes.

Kenyan tea farmer Josefine. Mother-of-seven Josefine trained as a HERhealth peer educator, via Sourced with Care. Having learnt about essential health issues such as nutrition, family planning, sexually transmitted infections and non-communicable diseases, Josefine now spreads the word among the female colleagues in her tea garden, helping to reduce levels of sickness and maternal mortality. By 2023, in partnership with the non-profit organisation Business for Social Responsibility, we aim to reach all 75,000 of our suppliers' female farmers in Kenya via the HERhealth programme, and to provide 50,000 women in Kenya, Malawi and India with access to essential health services.

Lalita, an Assam tea plucker. Women working in Assam often have poor latrine facilities, offering very limited privacy and becoming unhygienic during the rainy season. Through Sourced with Care we provided Lalita and her student daughter Dipti with a robust new bathroom and toilet, affording them privacy, dignity and security. Lalita's toilet is one of around 2,000 we have installed in suppliers' plantations in Assam and Darjeeling.

Sasi, a Sri Lankan trade union leader. Sasi is one of many to have benefited from our introduction, in partnership with the international development agency CARE International, of community development forums (CDFs). With industrial relations sometimes strained in the Sri Lankan tea sector, CDFs provide a space for workers and leaders to meet, debate issues and share information. Sasi recently drew on the problem-solving tactics he'd learnt at his CDF to diffuse a dispute which had brought his factory to a standstill. He says: "The employer-employee relationship on this estate has improved tremendously thanks to the CDF. I completely changed after receiving training on communication, leadership and gender. Now I know how to communicate effectively with peers and managers."

As a responsible business and a founder of the Ethical Tea Partnership, Twinings is driving positive change in the industry. However, we cannot do it alone. Partnership is central to the establishment and sustainability of an ethical supply chain and we work closely with NGOs, producers, packers, retailers and industry bodies.

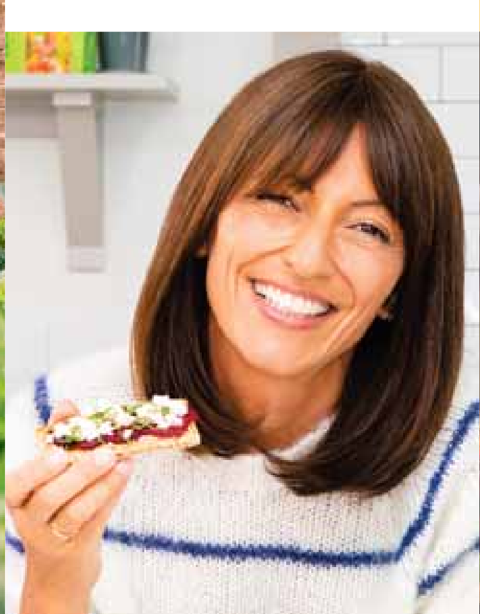
GETTING FIBRE FIT

Health consciousness is a major driver of food purchases in the UK. Ryvita has long been associated with a healthy, low calorie, fibre-rich diet.

According to the NHS, fibre helps reduce the risk of heart disease, type 2 diabetes, stroke and bowel cancer. Certain types of fibre can also help support gut health, but nine out of ten of us aren't eating the 30g of daily fibre that the UK Government recommends.

To address this, Ryvita partnered with celebrity TV presenter Davina McCall to launch an online quiz that helped people assess their own fibre intake, together with the #30in30 Challenge which provides hints and tips on how to increase daily fibre intake by 5g. People who signed up received a newsletter twice a week along with #Fibrehacks from Ryvita and selected expert partners.

Since launch in March 2019, over 43,000 people have taken the online quiz and over 15,000 have signed up to the #30in30 Challenge. A great example of how an established British brand is engaging people to help improve their health and wellbeing.



FROM BARREL TO BASKET

In 2017 we acquired Acetum, the world's leading producer of Balsamic Vinegar of Modena.

The major brand of the business is 'Mazzetti', which bears the family name of Cesare Mazzetti, one of the founders of the business.

Already the brand leader in Germany, Australia and Holland, Acetum launched the Mazzetti brand into the UK during 2019. Three versions of this premium vinegar were sold in retail stores in the UK, supported by advertising that appeared extensively on the London Underground and poster sites throughout May and June this year. The products are currently available in Sainsbury's and Waitrose as well as on the Ocado website. They have also been featured in a number of leading UK food publications including BBC Good Food, Good Housekeeping and The London Evening Standard newspaper.

FRESH THINKING FRESHER FLAVOURS

Consumer demand for healthy foods is accelerating growth at our Australian chilled dips and snacks business, Yumi's.

Yumi's, which supplies major retailers and foodservice customers with traditional hommus, vegetable dips, falafels and vegetable bites, was acquired by George Weston Foods in September 2018.

Meeting evolving trends

Its enviable compound sales growth rate of 20% over the past three years reflects the evolution in Australia of at-home entertaining, the trend for healthier eating, the popularity of Mediterranean-style foods, and declining meat consumption.

Yumi's was founded in 1989 by Michael and Benjamin 'Yumi' Friedman who have remained with the business since it joined our family last year. It initially started out as a fish shop serving Melbourne's Jewish community but soon expanded its range. The team has grown to about 170 people, all passionate about their products. Australian-grown chick peas and 'fresh-from-farm' vegetables, like beetroot and capsicum, are cooked and roasted on site and then generously added to hommus to flavour classic dip varieties.

Traditional Jewish family recipes for classic dips handed down from 'Aunty Chumy', and for mayonnaise and fish dips courtesy of 'Grandfather Hershel', are still used today, ensuring authenticity and quality.

Because the dips are made to Jewish kosher standards they are dairy and gluten free and include few, if any, additives.

The team at Yumi's is continually looking for opportunities to bring innovation to the category and takes pride in partnering with retailers to develop a great pipeline of new vegetable flavours. New products are first trialled and then rotated in store to meet customer desire for taste, adventure and variety.

Premium innovations

In February 2019, Yumi's released a new premium pulse dips range which has been very well received. The idea behind these dips was to create something on-trend (with lentils, peas and beans being very popular), that could attract a higher price, and would still deliver to the brand's kosher requirements.

Yumi's has also recently delivered new products in the exciting snacking consumer segment. These products, such as a 'snack pack' containing hommus and crackers, work well both as healthy and tasty school lunchbox alternatives and 'on the go' snacks.

The business relies extensively on social media to drive awareness and has an active and loyal following on Facebook and Instagram.

ABOUT SUGAR

AB Sugar is a leading producer of sugar and sugar-derived co-products in southern Africa, the UK, Spain and north east China.

We employ 34,000 people and operate 24 plants in ten countries with the capacity to produce some 4.5 million tonnes of sugar annually. Our products are sold into industry sectors including food and drink, pharmaceutical, industrial, agricultural, power and energy.

In the EU, Azucarera is the largest producer in Iberia and British Sugar is the sole processor of the UK beet sugar crop. Illovo Sugar is the biggest sugar processor in Africa, operating in the growing markets of South Africa, Zambia, Mozambique, Malawi, Eswatini and Tanzania. We also have a beet sugar business in north east China which is cost-competitive with cane sugar production.

Our success has been built on continued development and innovation to meet the changing priorities of our customers, to continually improve our operations and to work with our growers to ensure sustainable, efficient agricultural production.

As a global business, we operate in a diverse and continually changing environment with many opportunities and challenges. Although we have a global portfolio, we operate with a local heart, working together to do what is right for the location and market. As we evolve to meet the changing needs of customers, growers and others, it is our role to ensure we use resources responsibly, build strong rural economies and ensure thriving healthy communities.

By drawing upon everything we have learnt over many decades as a sugar producer, we continue to embrace innovation and strive to create more from less by working collaboratively across our group and with our stakeholders.

24
plants worldwide

4.5m
tonnes of annual sugar production capacity

34,000
employees

Africa

Sugar strategy

AB Sugar is one of the world's largest and most diverse sugar producers and has a simple vision to be the world's leading sugar business.

Whilst sugar is at the heart of what we do, the sugar production process provides opportunities to do more than simply manufacture an ingredient. We are an innovative and advanced manufacturer, producing a wide range of sugar and co-products. Additionally, we are an energy and power supplier and, as part of the wider agri-business value chain, we are an important contributor to the economy across all our locations.

Our success has been built on continued development and innovation to meet the changing needs of our customers, to improve our operations and to work with our growers to ensure sustainable, efficient, agricultural production. We seek to drive continuous improvement in everything we do and are committed to developing our people to build capability and capacity across our business.

Revenue

£1,608m

2018: £1,730m

Actual fx: -7%
Constant fx: -5%

Adjusted operating profit

£26m

2018: £123m

Actual fx: -79%
Constant fx: -78%

Adjusted operating profit margin

1.6%

2018: 7.1%

Return on average capital employed

1.6%

2018: 7.5%

A WORLD-LEADING SUGAR BUSINESS FOCUSED ON EXCELLENCE

AB Sugar revenues were 5% down on last year at constant currency and adjusted operating profit was well down. The profit decline for the year reflects the first half performance. Profit in the second half was ahead of both expectation and last year. EU sugar prices were much lower this year and impacted our UK and Spanish businesses while a poor crop reduced production and sales volumes in China. Our African sugar business, Illovo, delivered another successful year.

Our sugar businesses are focused on reducing their cost of sugar production. Further significant cost reductions were delivered this year, through ongoing performance improvement programmes which target efficiencies in all areas of the business.

EU stock levels tightened during 2018/19 as a consequence of lower sugar production in the last campaign. Indications are that EU sugar production for 2019/20 will remain at this lower level following a further reduction in the crop area which will largely offset improved beet yields. As a consequence, stocks are forecast to remain low which should provide further support to EU sugar prices which increased this year.

In the UK, sugar production in 2018/19 of 1.15 million tonnes compared to 1.37 million tonnes last year when beet yields achieved record levels. Production in 2019/20 is expected to be marginally higher than this year, with an improvement in beet yield following favourable weather conditions more than offsetting the reduction in crop area. Good early progress has been made in the processing of beet at our four UK factories. The majority of sales for 2019/20 are now contracted and the benefit of higher EU sugar prices will result in a significant improvement in the operating result.

In Spain, production from beet was 260,000 tonnes this year, lower than last year due to adverse weather in the south impacting sugar content of the beet. This shortfall was compensated by increased production from the refining of cane raws at Guadalete which produced 170,000 tonnes. These factors, combined with low EU sugar prices, resulted in our Spanish business making a substantial loss this year. Contracting of beet volumes with growers for the 2019/20 campaign was substantially completed at reduced prices from the previous year and this led to our contracted crop area reducing by one third, mainly in the north. Beet sugar production for 2019/20 is expected to be some 205,000 tonnes, with the benefit of an improvement in beet yield. This will be supplemented with over 200,000 tonnes from raws refining. We expect a significantly improved operating result for Spain in the next financial year driven by higher sales prices, the lower beet costs and cost reductions.

Sugar production at Illovo increased slightly to 1.73 million tonnes this year, driven by further improvements in cane yields. Profit was in line with expectations, with particularly strong performances in Eswatini and Zambia offsetting weaker results in Malawi and South Africa. The 2019/20 season is progressing well, with sugar production in line with expectations, and we expect another strong performance from Illovo next year.

In China, sugar production of 149,000 tonnes was well down on last year as very poor quality beet, following a period of adverse weather, hampered production and sugar extraction at our two factories. As a result of the lower production and low domestic sugar prices the business produced a significant loss. Looking ahead to next year we expect the operating result to improve significantly. The new crop is well established, some recovery in beet quality is expected and grower payments will be increasingly linked to the sugar content of their beet.

At Germains, our seed treatment and enhancement business, UK sales volumes declined mainly as a result of the ban on neonicotinoids as a seed treatment from this year. However, sales to the European and US horticulture markets continued to increase and benefited from new product development. Production capacity was increased at its facility in Gilroy, California.

In action

SHARING THE RISK WITH GROWERS

AB Sugar continues to work with sugar beet growers in Spain and China to ensure that sugar remains a sustainable crop for them and us.

We have a long history of partnering with our growers to transform the sugar beet industry. In Spain we have assisted growers with contracted services, with crop agronomy expertise and with flexible payment schemes. This has enabled them to improve productivity and made sugar beet a more attractive crop. And in China our service-based partnership with growers has led to a rise in mechanised land from 2% to 78% over ten years and has doubled sugar beet volume.

Sharing risk and reward
In Spain and China, as sugar prices have fallen, the prices we have paid to growers for sugar beet have become unsustainable. Therefore, this year we took the difficult decision to renegotiate our contracts with growers in both markets.

In Spain, Azucarera has reduced beet prices for the 2019/20 campaign by 20%, after ending the previous five-year contract 12 months early. In negotiating the new arrangements, we held face-to-face talks with 85% of growers, their unions, all key regional and national agriculture ministers and officials to explain the change. We believe the more realistic terms will provide a sustainable platform for our growers and ourselves. We are engaging with our newly-contracted Spanish growers however, unfortunately, others have chosen not to supply beet to us for the 2019/20 campaign.

In China, poor weather conditions in this year's campaign impacted the quality of beet, reducing the level of sugar that could be extracted. We are therefore phasing in a quality control system, in line with that used in our other countries, whereby payments to growers will reflect the sugar content of beet provided. A third of our growers will come under the new system this year. To facilitate the change, we have invested £1 million in quality testing equipment at our two Chinese factories. Additionally, the headline beet price has been reduced by 10%.

Mutual benefits
Our track record of working in partnership with our growers has benefited us all. We believe that sharing the risk now will again deliver mutual benefits, as it will allow both us and our growers to remain competitive and successful over the long term and build on what we have achieved together so far.

LEADING THE WAY IN SUGAR

AB Sugar has achieved a growing number of industry firsts as we strive to become the world's leading sugar business.

In 2019, we partnered with WaterAid and the University of Cambridge's Centre for Industrial Sustainability to seek new ways of reducing irrigation water loss in sugar and beyond. The Innovate Irrigation Challenge was an exciting opportunity to ask individuals and teams from all backgrounds and regions to submit ideas to help stop water losses in irrigation, with the winning idea announced in October 2019. The idea was unanimously chosen by a panel of prestigious judges and focuses on a smart irrigation system that will provide real-time data to estate managers and smallhold farmers to make informed decisions on water usage and irrigation schedules.

30%

we are committed to reducing our end-to-end supply chain, water and CO_2 footprints by 30% by 2030.

Setting ambitious commitments
We continue to evolve to stay ahead in our changing industry. In 2018 we became the first sugar business to publish group-wide sustainability commitments for 2030. These outline our ambition to further improve our performance, and that of our supply chain, and are in line with the UN's Sustainable Development Goals.

The 2030 commitments build on our sustainability framework, 'Global Mind, Local Champions', and its three pillars – building rural communities, consuming resources responsibly, and creating thriving and healthy communities. They point to how, by 2030, we will:

- build vibrant, diverse value chains that increase the prosperity of our communities;
- reduce our water and carbon dioxide footprints in our end-to-end supply chain by 30% and ensure all our plastic packaging is reusable, recyclable, biodegradable or compostable; and
- provide access to objective scientific advice on sugar, diet and health to over 25 million people around the world. This pledge extends our UK campaign, 'Making Sense of Sugar', which we launched in 2014, to help people make informed choices about what they consume by educating them on the role sugar can play in the diet.

The supplier of choice
In another sector first, we published an interactive global sourcing map showing where we grow sugar, where we source from, and where we export to. By sharing such 'field to fork' details so transparently stakeholders can see that our products are traceable, sustainable and safe. We also built upon the Company's Modern Slavery and Human Trafficking Statement with the AB Sugar Modern Slavery Statement, which more closely reflects our substantial international footprint in agriculture and manufacturing. We created a modern slavery video animation to raise awareness, and give a concise explanation of, the different types of modern slavery in the context of our business and industry.

AB Sugar's 2030 aspirations, and our other industry-leading actions, represent further progress in our journey to becoming the sugar supplier of choice, to our long-term competitive success, and meeting the growing demand for companies to act responsibly.

“

In 2018 we became the first sugar business to publish group-wide sustainability commitments for 2030.

DELIVERING A COMPETITIVE EDGE

AB Sugar is taking further bold steps to strengthen our competitiveness in a challenging marketplace.

As a consequence of policy reforms and abolition of quotas within the EU in 2017, the global sugar market has changed substantially creating both opportunities and challenges. As a result, current low world sugar prices and intense competition combined have squeezed producers' margins, requiring them to reinvent their skills, behaviours and capabilities.

Increasing competitiveness and developing capabilities

We began preparing for this much tougher commercial market long before our peers to deliver substantial benefits through our performance improvement programme (PIP); focusing on improving processes, investing our capital wisely and increasing revenue generation.

In addition, we recognised that we would need to do things differently in today's marketplace, beyond reducing costs, by strengthening capabilities across the group. We are, for instance, equipping commercial teams with the tools to navigate this environment, including systems to assess and manage risk as we begin to use financial hedging to offset price volatility. Also, our management teams are increasingly drawn from both within our sector and externally, to give us the right mix of skills, experience and fresh thinking to thrive.

We are evolving our business model to suit this new sugar market. For example, Illovo Sugar Africa has moved its commercial focus away from bulk sales into the EU to more domestic sales direct to retail consumers. This has required us to adapt our product, branding, formats, channels and logistics as well as address the operating model to further improve efficiency, reduce overheads and increase profits. In Europe, we are building on recent progress in making our factories more efficient. In Spain, Azucarera will continue to automate its sites and in the UK, we will consolidate improvements to our factories, warehousing and logistics.

Investing in innovation
We continue to invest a significant slice of our cost savings back into higher-return capital projects. In 2019 we injected £32 million into the business, from backing new product development within Germains, our seed technology business, to increasing daily factory throughput in our factories in China. We continue to invest time and money in our growers' businesses and are now using learnings from China to improve farmers' methods and yields in Africa.

Reducing waste, growing revenue
In addition to our core products made from sugar beet or cane, we also sell a range of co-products from the advanced manufacturing process, ranging from molasses to ethanol, and much more. To maximise this income stream, as part of our PIP, we systematically reassess our co-products and facilities. In 2017, for example, we replaced the production of tomatoes at British Sugar's horticultural site in Wissington, Cambridgeshire with a non-psychoactive variety of the cannabis plant used in epilepsy drugs. In Spain Azucarera launched its Betalia brand, which includes products for animal feed, agriculture and industrial uses.

Meeting changing needs
Since launch, our PIP continues to go from strength to strength. The programme is embedded in AB Sugar's DNA, with a high profile across the business and a three-year pipeline of future projects. It will remain central to our efforts to anticipate and meet the fresh challenges and opportunities that will inevitably arise, as our industry continues to evolve and new technologies emerge.

ABOUT AGRICULTURE

AB Agri is a leading international agricultural business operating across the agri-food industry, producing and marketing animal feed, nutrition- and technology-based products and services.

With a detailed understanding of agriculture's importance in the global food supply chain, our philosophy is to help change it for the better; influencing and improving food production, so that everyone can eat nutritious food that is produced safely and responsibly.

Across the agricultural supply chain, our products, data insight and technological innovation enable our customers to produce and process high yielding, safe and nutritious food in a responsible way, using fewer chemicals and antibiotics, safeguarding natural resources, and creating less waste and lower emissions. Employing over 3,000 people around the world we market products in 65 countries and continue to grow our global operations. Our core capabilities include:

Specialised feed ingredients and mixtures

A major investor in research and development of specialty feed ingredients and mixtures, we provide highly specialised advice around procurement and formulation for livestock feeds and pet foods as well as global manufacturing expertise. We market pioneering feed ingredients: additive products, high-quality, bespoke, vitamin and mineral pre-mixes, starter feeds, and micro-ingredients developed using a world-class expertise in feed enzymes, nutrition and product formulation.

Compound feed

We are a major international manufacturer and supplier of pig, poultry and dairy feeds with 36 production sites in the UK, continental Europe and China. We work closely with major processors and producers to benchmark productivity and performance, developing tailored feeds and new feeding regimes to improve performance for every customer.

Co-product innovation and marketing

AB Agri is the UK's largest and most progressive marketer of food, drink and energy co-products, having pioneered the industry for over 30 years. Co-products are a secondary product stream created during the manufacture of food, drink and bio-fuels. They are usually cereal or plant-based residues from industries such as brewing, distilling and sugar production.

Supply chain, data and technology solutions

With 20 years of expertise, our data and technology platforms deliver targeted insight that create continuous improvement for agricultural supply chains in over 60 countries. We work exclusively with major food processors, retailers and directly with farmers, enabling them to:

- increase productivity and yields;
- improve animal health and husbandry; and
- deploy robust quality assurance and Corporate Responsibility (CR) programmes.

Commodity risk management

We are the UK's leading grain trading and crop inputs (seed, crop protection and fertiliser products, agronomy and precision farming advice) company through Frontier Agriculture, our joint venture with Cargill plc, providing customers with in-depth insight into global commodity markets.

65
we market products in 65 countries

3,000
employees

Agriculture strategy

AB Agri operates through individual, entrepreneurial businesses empowered to grow their interests independently, and through a strong network of contacts across the entire supply chain.

Organic growth is achieved through innovative product development and by extending the business's already broad geographic reach into new territories and new areas adjacent to its core capabilities. Using the diverse breadth of products, services and people within the AB Agri community, the business develops bespoke solutions tailored to its customers' needs. AB Agri will continue its successful strategy of seeking to make complementary acquisitions to strengthen its portfolio of businesses and its technical capability. It will also continue to collaborate with other businesses in the ABF group to harness new contacts and technologies.

Revenue

£1,385m

2018: £1,350m

Actual fx: +3%
Constant fx: +2%

Adjusted operating profit

£42m

2018: £59m

Actual fx: -29%
Constant fx: -30%

Adjusted operating profit margin

3.0%

2018: 4.4%

Return on average capital employed

10.7%

2018: 15.7%

PRODUCTS AND SERVICES FOR THE AGRI-FOOD INDUSTRY

AB Agri revenues were 2% ahead of last year at constant currency, driven by higher feed sales in the UK and China where higher feed prices reflected increased raw material costs. Adjusted operating profit, however, was down 30% mainly due to the loss of high margin co-products from the Vivergo bioethanol plant, which was closed last autumn, and lower margins on UK animal feed.

Compound feed volumes in the UK increased due to higher demand in the pig and poultry sectors. The margin decline reflected an under-recovery of energy and distribution costs and lower sales of sugar beet feed to the dairy sector, following the reduction in the beet crop size. Overheads will be reduced as a consequence and a restructuring charge has been taken this year. Although our Chinese feed business also increased sales, margin declined.

Speciality Nutrition, our premix and starter feed business, successfully commissioned a new factory at Fradley Park, Staffordshire and acquired a small starter feed business in Poland. Profits were lower than last year which benefited from unusually high vitamin prices. Sales and profit at AB Vista were in line with last year and reflected an increasingly competitive phytase enzyme market. We are encouraged by the launch of Signis, our innovative animal digestion aid.

GROWING INTERNATIONALLY

With its products and services already available in 65 countries, AB Agri is embarking on an ambitious international growth strategy to become a leading and influential force in the global agri-food sector.

With a growing global population estimated to require up to 70% more food by 2050, and climate change and extreme weather conditions adversely impacting food production, the agri-food industry is facing significant challenges. To help address this, AB Agri is developing better technologies and exploiting the applications of data and digitalisation, which will improve the productivity and efficiency of its global supply chains, and the production of food.

At the start of 2019, AB Agri established a new entity, Intellync, which brought together our existing businesses AB Sustain and Agridata. Intellync's goal is to deliver connected intelligence that bridges the gap between people, data and technology in agriculture. More recently, we announced Kilkenny, Ireland as the location of a new Technology Centre for Intellync. Due to open in late 2020, this new Technology Centre will develop new generations of technology solutions that improve farm performance and drive continuous improvement across agricultural supply chains globally.

We aim to expand our global operations through the creation of operational hubs in our key overseas markets. These hubs will enable AB Agri to roll out its products and technology platforms, grow sales and market share in new countries.

In south east Asia we have set up a commercial entity to serve Vietnam. In central and eastern Europe, our acquisition in 2019 of a specialist baby animal nutrition business and production plant in Poland will accelerate the establishment of an AB Agri hub from which to grow new business. This builds on our existing presence in the region with our neonates nutrition business, AB Neo, in the Czech Republic and demonstrates a belief in the future of livestock farming in Poland and the surrounding countries.

TARGET ZERO

As a leading agri-food solutions provider, AB Agri wants to ensure responsible production for its customers across the agri-food industry and strengthen its leadership in feed product quality and health and safety.

To drive this, AB Agri has launched 'Target Zero'. This programme promotes and focuses on the business' existing zero harm policy, to ensure no harm comes to its people, products and the environments in which it operates.

AB Agri has established a set of clear Target Zero values and a leadership development programme in accordance with these, which have been rolled out across the group.

This commitment to Target Zero goes beyond employees, sites, operations and logistics. Its remit spans the breadth of AB Agri's influence, to its hauliers, contractors, third-parties and suppliers across the world. One example of this is the haulier safety day that AB Agri recently led, which was held for all hauliers working on behalf of its businesses, with a theme of Target Zero and focused on the importance of transport safety.

Instrumental to the project's success so far has been the formation of a global supply-chain community in identifying collaborative best practices. This is particularly important for AB Agri's ambitious international growth plans, by helping to build consistency and pace of improvement throughout its operations when integrating newly acquired international businesses.

ABOUT INGREDIENTS

Our Ingredients businesses supply yeast, bakery and specialty ingredients to food and non-food manufacturers.

AB Mauri

AB Mauri has a global presence in bakers' yeast with significant market positions in the Americas, Europe and Asia. It is a technology leader in bakery ingredients, supplying bread improvers, dough conditioners and bakery mixes to industrial and craft bakers across the globe.

The business employs experts who have extensive knowledge and understanding of the yeast and bakery ingredients business, the equipment, the processes and the raw material. In addition to bakers' yeast, AB Mauri also supplies yeast products to producers of alcoholic beverages and bioethanol.

ABF Ingredients

ABF Ingredients is a specialty ingredients world leader, offering innovative, differentiated and value-added products and services to the food, nutrition, pharmaceutical, animal feed and industrial sectors. Its ingredients are an essential part of products that are equally likely to be found in the kitchen and medicine cabinet as in the laboratory. It comprises a group of companies operating worldwide under their own identities, serving customers in more than 50 countries from production facilities in Europe, the Americas and India:

- AB Enzymes is an industrial biotech company specialising in enzymes. Their applications include bakery and other foods and beverage segments, animal feed, technical and detergent markets;
- ABITEC supplies specialty lipids and surfactants for the pharmaceutical, nutritional and specialty chemical industries;
- Ohly produces a range of yeast extracts and culinary seasoning powders specially developed to enhance the taste of customer's food recipes;
- PGP International produces specialty flours and extruded ingredients for use in a wide range of nutritional products such as health bars; and
- SPI Pharma develops and supplies pharmaceutical excipients and antacids for global pharmaceutical producers.

52
plants in production for AB Mauri

7,000
employees

Ingredients strategy

Our Ingredients businesses are dedicated to understanding the key requirements of their customers and their end-use markets in order to ensure a relevant supply of ingredients, systems, products and technology that create value. They develop partnership relationships with customers to achieve a genuine understanding of their products, formulations, equipment and processes and the market environment in which the products are sold. They aim to grow by providing outstanding customer service backed by a high level of investment in technology, innovation, research and development.

Each business has its own strategic model that determines an appropriate balance of emphasis across the full range of potential sources of competitive advantage: innovative and distinctive products; an efficient and proprietary set of production processes; and compelling customer propositions comprising a blend of product performance and customer specific services.

YEAST, BAKERY AND SPECIALTY INGREDIENTS SUPPLIED GLOBALLY

Revenue

£1,515m

2018: £1,459m

Actual fx: +4%
Constant fx: +4%

Adjusted operating profit

£136m

2018: £143m

Actual fx: -5%
Constant fx: -6%

Adjusted operating profit margin

9.0%

2018: 9.8%

Return on average capital employed

15.9%

2018: 18.1%

Ingredients revenues were 4% ahead of last year at constant currency. Adjusted operating profit, however, declined by 6% at constant currency, which was driven by a significant fall in the result for AB Mauri Argentina as a result of a challenging economy, increased competition, and the adoption of hyperinflationary accounting under IAS 29.

AB Mauri sales increased but profits were reduced mainly as a result of the Argentina operations. Trading in North America was strong driven by product innovation in bakery ingredients and the increase in yeast prices to recover higher input costs. Trading was also ahead in Brazil where we continued to benefit from the growth of industrial bakeries. We continued to invest in technology and product innovation and a new bakery toppings facility in Pederneiras, Brazil, a bakery ingredients factory in Dongguan, China and an extended technology centre in St Louis, US were opened during the year.

In August we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International. This will combine our existing activities in China and technical expertise with their extensive sales and distribution capability. Completion is subject to the receipt of regulatory approvals. The joint venture will build a major yeast plant to be co-located with Wilmar's food processing plant in north east China. During the year we also acquired Italmill, a supplier of specialist bakery ingredients from a well-invested facility in the north of Italy.

At ABF Ingredients, the enzymes business continued to grow its sales to the bakery and other food markets. SPI Pharma delivered sales growth in pharmaceutical excipients and industrial catalysts. Ohly, our yeast extracts and seasoning powders business, made good progress in the food and health markets and improved margins through cost reduction. PGPI, our US protein extrusion business, delivered strong sales growth of plant protein crisps and took further share in the expanding US market for nutrition bars and healthier snacks, cereals and baked items.

In action

OLD TRADITIONS NEW INNOVATIONS

In May 2019, AB Mauri acquired Italmill, a leading player in the Italian bakery ingredients industry.

Italmill began in 1901 as Molini Besozzi Marzoli, and by 1911 the company had built one of the most advanced milling plants in Italy. Italmill developed over the years into a successful, fourth generation family-owned and managed bakery ingredients company based in northern Italy.

Italmill's heritage of tradition and innovation brings to AB Mauri a wealth of expertise in sourdough, pizza and pastry mixes, flour mixes and frozen technologies.

Scrocchiarella®: innovating through tradition

Italmill anticipated the Italian consumer's growing preference for healthy, high quality, snacking and on-the-go food with Scrocchiarella mixes and par-baked frozen bases for an authentic Roman Pizza.

Scrocchiarella is made from a unique combination of selected traditional flours, sourdough and natural ingredients. The key ingredient is sourdough, which gives the final product a crunchy crust, open crumb structure, superior flavour and a memorable aroma.

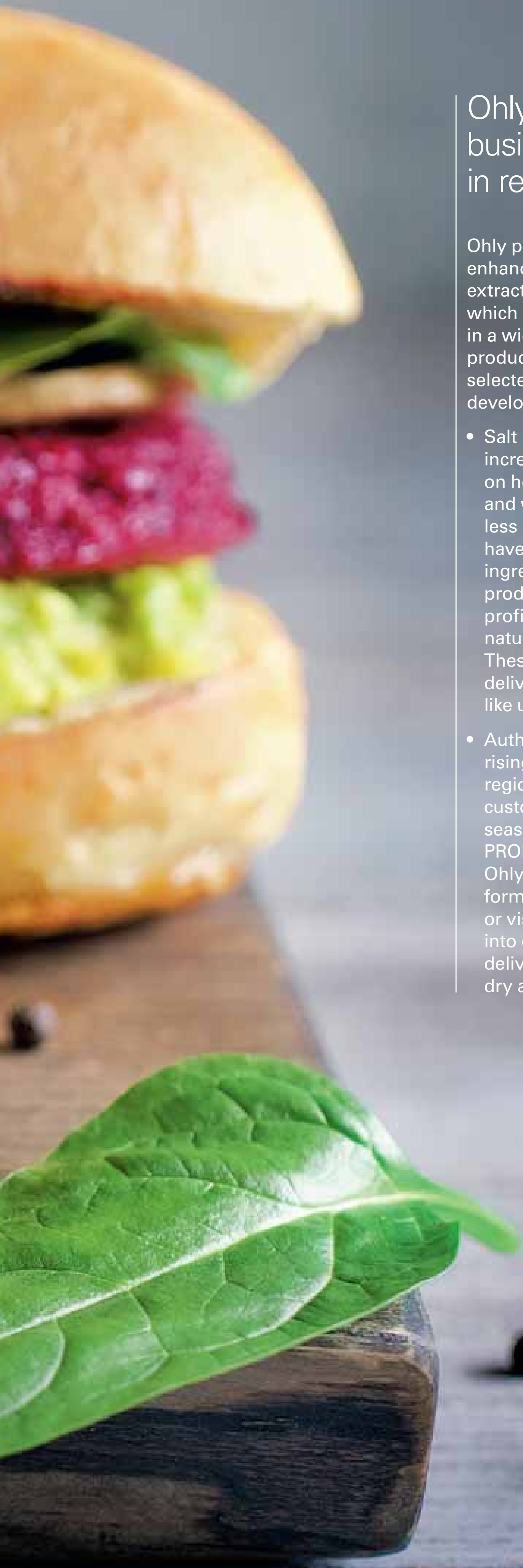
Since launching the traditional recipe, the Scrocchiarella range has been enriched with whole wheat, seeds and Venus black rice.

'Baking' the future

"Italmill's success is founded in the expertise and dedication of its people. Handing over this valuable heritage to ABF will ensure the continuation of the nurturing environment that preserves and develops our talents, and creates additional value for the future", commented Filippo Ferrario, the previous owner who continues as a director of the business.

Building on ABF's solid track record of successful acquisitions, we plan to unlock the growth potential of Italmill in international markets, building value through the combination of Italmill's product portfolio and AB Mauri's technological expertise and commercial reach.

THE INGREDIENTS OF CHANGE



Ohly, our yeast-based specialty products business, is reshaping its food ingredients range in response to changing consumer demands.

Ohly produces flavour enhancements, such as yeast extracts and seasoning powders, which are used to enrich the taste in a wide variety of leading food products. In evolving our offering, selected focus areas for product development are:

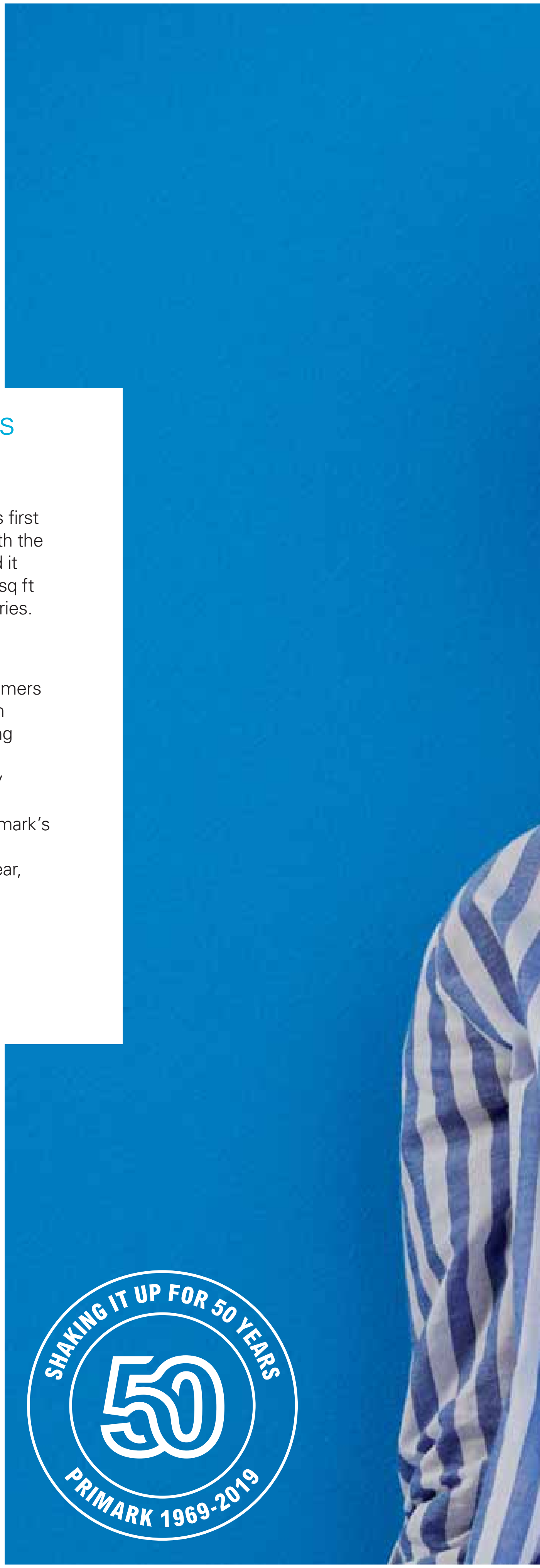
- Salt reduction: consumers increasingly understand the impact on health of using too much salt and want products that contain less salt but still taste great. We have developed a toolbox of ingredients that allow food producers to reinforce the taste profile of their recipes by using our natural yeast-derived ingredients. These ingredients often also deliver distinct taste experiences like umami or roasted notes;
- Authentic, ethnic flavours: the rising popularity of once-niche regional flavours is creating global customer demand for exciting seasonings, a field where our PRODRY® culinary powders excel. Ohly uses its product and formulation expertise to turn liquid or viscous products like mustard into dry powders that continue to deliver the authentic flavour into a dry application such as snacks; and
- Meat alternatives: low- or no-meat diets are now mainstream as more people change their eating habits for reasons of health, principles or taste. The knock-on interest in meaty-tasting and functional ingredients presents a significant opportunity for natural yeast-based ingredients.

Market-driven

Two non-food market segments also present significant opportunity for Ohly – biotechnology and animal health. In biotech, customers demand higher productivity, and our scientific ability to select the right nutrient combination delivers this. In animal health, farmers are seeking to reduce the use of antibiotics and our understanding of yeast cell structures allows us to provide ingredients with proven immune stimulation effect, reducing the need for antibiotics in the first place.

The pace of change across different markets requires Ohly to change too. And that's what the team has kicked off, with the establishment of dedicated teams to focus on these specific market segments.

ABOUT RETAIL



Primark is one of the largest clothing retailers in Europe and 2019 marks its 50th year.

It has 373 stores and employs 78,000 people in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France, Italy, Slovenia and the US. It was founded fifty years ago in the Republic of Ireland where it continues to trade as Penneys.

Primark's organic growth has been mainly achieved through increased selling space. Investment in buying, merchandising and our success in constantly refreshing its stores ensures they remain exciting places to shop. The increase in selling space has been driven by capital investment in freehold and leasehold properties as they have become available, first on the high streets of the UK and Ireland, and more recently on the high streets and in the shopping centres of continental Europe and the US. 2006 saw Primark's first foray into continental Europe with the opening of a store in Madrid and it now operates from 15.6 million sq ft of selling space across 12 countries.

With a unique combination of the latest fashion and lean operations, Primark offers customers quality, up-to-the-minute fashion at value-for-money prices. Buying and merchandising teams travel internationally to source and buy garments that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery, beauty and homeware.

373
stores

78,000
employees

12
countries

Retail strategy

Primark offers great value for money which it achieves by: incurring minimal advertising costs, instead relying on its customers 'doing the talking' about its products; buying in vast quantities and passing on the cost savings to customers; keeping overheads to a minimum but investing in state-of-the-art logistics to enable its stores to replenish stocks quickly; and not compromising its high-quality standards, rigorously testing products at the various stages of production.

In the world of fashion it is critical that, once a style is seen on the fashion show catwalk, it reaches the stores as quickly as possible. It can take as little as six weeks from initial design concept to being available on shelf, and merchandise is sourced from all corners of the globe. Although Primark does not own the companies or factories that produce its merchandise, it recognises its responsibility to the workers in those factories, and to its customers, to ensure that its products are made in good working conditions.

QUALITY FASHION AT VALUE-FOR-MONEY PRICES

Revenue

£7,792m

2018: £7,477m

Actual fx: +4%
Constant fx: +4%

Adjusted operating profit

£913m

2018: £843m

Actual fx: +8%
Constant fx: +8%

Adjusted operating profit margin

11.7%

2018: 11.3%

Return on average capital employed

28.9%

2018: 28.2%

Sales at Primark were 4.2% ahead of last year at actual exchange rates and 4.1% ahead at constant currency, driven by increased selling space partially offset by a 2.0% decline in like-for-like sales. Operating profit margin increased to 11.7% from 11.3% and, as a consequence, adjusted operating profit was 8% ahead.

Primark performed well in the UK as we continued to deliver a significant gain in market share, with sales growth of 2.5% driven by a strong contribution from new selling space. Like-for-like sales declined by 1.0% but outperformed a weak total clothing, footwear and accessories market which includes online. We have been encouraged by our customers' reaction to our new store in Birmingham High Street which showcases our new food and beverage and beauty services in addition to our full product range.

Sales in the Eurozone were 4.8% ahead of last year at constant currency, with excellent sales growth in Spain and France and strong performances in Italy and Belgium. Over the year selling space increased by 8% and the contributions from our new stores in Bordeaux, Seville and Ljubljana exceeded our expectations. Like-for-like sales fell by 2.9%, driven by a weak performance in Germany where a new managing director is now in role and is leading a number of initiatives which include targeted local marketing campaigns and the reduction of selling space in some stores. Excluding Germany, like-for-like sales in the Eurozone fell by 1.1% but we note an improving trend which delivered positive like-for-like sales in the final quarter. Full year like-for-like sales growth was achieved in Spain, Portugal, France and Italy.

Our US business delivered strong sales growth which, coupled with lower operating costs, resulted in a significantly reduced US operating loss. The sales increase was driven by like-for-like growth and excellent trading at the Brooklyn store, which opened last summer. The selling space reduction in three stores has successfully established a profitable contribution in each store. The positive reception by US consumers to Primark, combined with our profitable store model, gives us confidence for

	Year ended 14 September 2019		Year ended 15 September 2018	
	# of stores	**sq ft 000**	# of stores	sq ft 000
UK	**189**	**7,449**	185	7,125
Spain	**46**	**1,850**	45	1,764
Germany	**30**	**1,830**	27	1,686
Republic of Ireland	**37**	**1,085**	37	1,087
Netherlands	**20**	**971**	19	902
France	**15**	**776**	13	649
US	**9**	**470**	9	507
Portugal	**10**	**348**	10	348
Belgium	**7**	**372**	6	292
Austria	**5**	**242**	5	242
Italy	**4**	**203**	4	203
Slovenia	**1**	**46**	–	–
Total	**373**	**15,642**	360	14,805

further expansion in the US market. Two further US stores will open in the new financial year, at American Dream, the retail and entertainment complex in New Jersey which will now open in spring 2020, and Sawgrass Mills, Florida in summer 2020. We have now signed the lease for a new store in Fashion District, Philadelphia and, as previously advised, have exchanged contracts on a store in State Street, Chicago.

We were particularly pleased to have reached a milestone 20 million followers across all our social media channels, driven by a combination of exciting product ranges, innovative social media campaigns and customer-focused celebrity collaborations. We believe our engaging content across these social platforms attracts substantial customer numbers to our stores.

During the second half, Primark's buying, merchandising, design, sourcing and quality functions, previously located in Reading and Dublin, were consolidated in Dublin. This will further enable one global product range for our customers, the delivery of efficiencies and support our expansion into international markets.

The first half operating margin of 11.7% was well ahead of the same period last year of 9.8%, driven by a weaker US dollar on contracted purchases, better buying and tight stock management. Margin in the second half exceeded our expectations at 11.7%. This was lower than the second half in the prior year, with the effect of a stronger US dollar on purchases substantially offset by a low level of markdowns and better buying.

The strengthening of the US dollar during this year has increased the cost of goods for the first half of next year which will result in a margin decline in the first half. The sterling exchange rate is currently extremely volatile and affects the cost of goods for the second half next year. We anticipate achieving significant mitigation from reduced materials prices, the favourable effect of exchange rates in sourcing countries, better buying and a programme to reduce operating costs. At current exchange rates, our expectation for the full year margin next year has improved to be only a small reduction on that achieved this year.

Retail selling space increased by a gross 0.9 million sq ft this year, with 14 new store openings. Four stores were added in the UK, three in Germany, two in Spain, two in France and one each in Belgium, the Netherlands and our first store in Slovenia. We relocated to new premises in Birmingham High Street which, at 160,000 sq ft, became our largest store. The smaller of our two stores in Oviedo, Spain, was closed and the size of our store in the King of Prussia mall in Pennsylvania was reduced. This brings the total estate to 373 stores trading from 15.6 million sq ft compared to 14.8 million sq ft a year ago.

In the next financial year, we are planning to add a net 1 million sq ft of additional selling space, weighted mainly to the second half. We expect to open 19 new stores together with a number of relocations and extensions, while selling space will be reduced at a small number of German stores. France and Spain will see the most space added, and the major new stores will include Paris Plaisir, Lens and Calais Cité Europe in France, Milan Fiordaliso in Italy, Barcelona Plaza de Cataluña and Seville Lagoh in Spain and Trafford Centre in the UK. Our first store in Poland will open in Warsaw in the spring, taking Primark to its thirteenth country.

New store openings:
UK: Hastings, Bluewater, Belfast Donegall Place, Milton Keynes
Spain: Torre Sevilla, Almeria
Belgium: Bruxelles Chaussée D'Ixelles
The Netherlands: Utrecht
Slovenia: Ljubljana
France: Toulouse, Bordeaux
Germany: Berlin Zoom, Wuppertal, Bonn

Relocations:
UK: Harrow, Birmingham High Street, Newtownabbey

RISE OF THE

Sunglasses
Part of the Kem Ibiza photo shoot

Yellow dress
Part of the Stacey Soloman collection

INFLUENCER

Celebrity partnerships are delivering stellar returns for Primark.

Ninja Water Bottle
Part of the Ninja collection

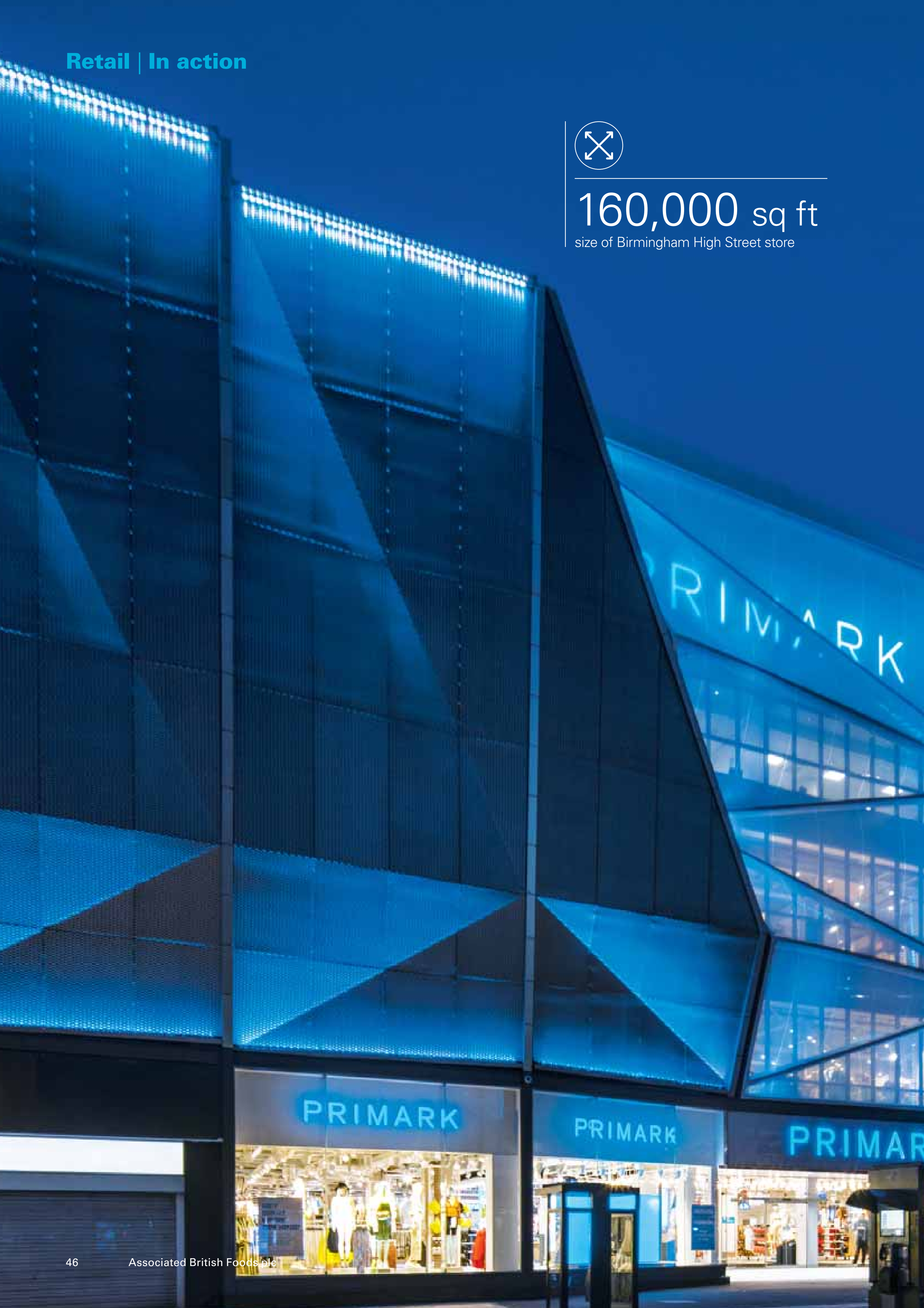
Celebrity partnerships
Primark has a strong track record of teaming up with stars to develop and publicise co-branded ranges. In line with our strategy, we focus on high-profile influencers linked to a wide range of consumer passions – notably, health and beauty, video gaming, TV and music. This means we not only launch great products that appeal to all sections of society but we also connect with our partners' huge fan bases. This has a significant impact on Primark media coverage and sales.

Love Island winner Kem Cetinay, for example, launched his inaugural Primark range – a 16-piece holiday collection – in May. The Primark Man x Kem photo shoot in Ibiza made media headlines, with the combined Instagram reach of Kem and his two celebrity travelling companions topping 10 million. And when one of our influencers, Ninja – a US video game player with 22 million followers – posted an image of himself wearing a Primark Fortnite gaming t-shirt he earned an extraordinary 498,000 likes.

Strong fan-bases
We carefully select the influencers with whom we collaborate. They need to be genuine Primark advocates that consumers can relate to easily, and whose lives complement our brand and reputation. They must also have strong credibility with an existing base of engaged followers.

Stacey Solomon is widely admired and respected for her talent and down-to-earth approach. The singer and TV personality's first Primark range was a sell-out with wide media coverage, including 650 social media posts that reached 50 million people. Her second range reached stores in October 2019.

We are now expanding Primark's network of influencers to ensure we cover all our target audiences and markets. Our choice of Kem as Primark's first male brand ambassador supports our strategy of expanding our base among young men. And we are building on our strong body of UK influencers through further range collaborations with popular bloggers in Spain, Germany and Austria.



160,000 sq ft
size of Birmingham High Street store

DESTINATION SHOPPING

Primark's stunning new Birmingham store builds on the brand's reputation as the shopping destination of choice by offering all you could want for a great day out.

New experiences in store
Birmingham High Street, the UK's 187th and the world's biggest Primark, offers an outstanding range of fashion, beauty and homewear over five floors. However, the 160,000 sq ft city centre location offers much more than phenomenal shopping. As research shows that consumers increasingly prioritise shared 'experiences' over physical purchases, and with the high street facing a fierce challenge from online retailers, this store provides a bundle of fun things to do and share.

As well as shopping, consumers can get their hair cut, play interactive games in the Primark Café with Disney – one of four very different dining locations – enjoy a manicure, have a wet shave, print bespoke t-shirts and have a magical time in Hogwarts Wizarding World. And after that they can recharge themselves, and their phones, in one of the comfortable seating areas, complete with free wifi and water fountains.

Homage to home
In paying homage to Birmingham, the store also helps consumers feel at home. At the entrance, a large Primark-blue sign proclaims 'Welcome Brum' and, against a stylish interior that refers both to the city's industrial heritage and contemporary design, word graphics spell out the essence of Birmingham, as voiced in local vox pops.

Elements of the new store's rich offering are being woven into other Primark locations. For example, like Birmingham High Street, further selected stores will get branded Primark cafés, beauty parlours, Disney baby shops and lighter, brighter, airier changing rooms.

We have long aimed to make Primark stores must-visit destinations. By blending great experiences with unbeatable shopping, we continue to buck the trend and deliver rising sales on the high street.

DRIVING FORWARD SUSTAINABLE COTTON

This year Primark announced a fivefold expansion of its Sustainable Cotton Programme, with a commitment to train 160,000 independent cotton farmers in sustainable farming methods across three of its key sourcing countries by the end of 2022.

This significant extension broadens the programme into China for the first time, in addition to enrolling thousands more farmers into the three-year training programme in India and Pakistan. This marks an important part of the retailer's ongoing commitment to minimising its impact on the environment, improving livelihoods and bringing more sustainably-sourced cotton to customers at affordable prices.

Primark started this programme in 2013 in India, working with agricultural experts CottonConnect and local partners to train female farmers to use less water and chemicals. By starting at the very beginning of the supply chain, the cotton can be directly traced from cotton farm through manufacture to delivery to Primark's stores. This gives the retailer and its customers complete confidence in the source of the sustainable cotton used, its environmentally friendly credentials, and the positive impact on farmers' livelihoods.

The programme's expansion comes amidst growing demand from customers for sustainable cotton products. Primark first introduced sustainably sourced cotton into one of its most popular product lines – women's pyjamas – under its Primark Cares initiative in 2017. More than 14 million pairs of pyjamas have since been sold, in addition to more than three million pairs of jeans, and six million duvet covers and towels made with sustainable cotton tracked through the programme at no extra cost to the customer. The expansion into China and increased farmer numbers will enable Primark to move one step closer to its long-term ambition of using 100% sustainably sourced cotton across its entire product range.

“

We have been working with Primark since this programme was first launched in 2013. Not only are we materially changing the lives of farmers and their families in rural cotton communities, but by working closely with Primark and their supply chain partners we have been able to trace the cotton all the way from the farm into products – a challenging but important step towards increased supply chain transparency.

Alison Ward,
CEO at CottonConnect

> Our business model remains unchanged and our balance sheet remains robust on the adoption of IFRS 16 next year.

John Bason
Finance Director

Group performance
Group revenue increased by 2% to £15.8bn and adjusted operating profit was 1% higher at £1,421m. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles, profits or losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items are excluded.

The income statement includes exceptional items of £79m this year. Following the termination of our largest private label bread contract in December 2018, the carrying value of the assets of the Allied Bakeries business was no longer supported by our forecasts of its discounted future cash flows and a non-cash impairment charge of £65m has been recognised. Following a High Court ruling regarding the equalisation of Guaranteed Minimum Pensions in October 2018, a pension service cost of £14m has been taken for members of the company's defined benefit pension scheme for service between 1990 and 1997. On an unadjusted basis, operating profit was 5% lower than last year at £1,282m.

The weakening of sterling this year, particularly against the US dollar, resulted in a translation benefit of £9m. The movement in the US dollar exchange rate has a transactional effect on Primark's largely dollar-denominated purchases but taken for the year as a whole the effect was broadly neutral, with a favourable effect in the first half offsetting a negative effect in the second half.

Next year we expect the weakness of sterling during this financial year to have a negative transactional effect on the Primark margin in the first half but, at current exchange rates, a minimal effect in the second half.

Net finance expense reduced from last year following the maturity of $310m of private placement senior notes in March and lower debt in high interest markets. The increase in other financial income reflected the increase in the surplus of our defined benefit pension schemes between the 2017 and 2018 year ends.

Losses on disposal of businesses were £94m, higher than last year, and mainly comprised an impairment charge to the assets of AB Mauri's businesses in China which are affected by the formation of the proposed joint venture with Wilmar International, described in further detail below. Taking this into account, statutory profit before tax was down 8% to £1,173m. On our adjusted basis, which excludes these items, profit before tax rose by 2% to £1,406m.

Acquisitions and disposals
In September 2018 we acquired Yumi's, an Australian producer of premium chilled dips and snacks. AB Agri acquired a small manufacturer of piglet starter feed based in Poland. Our Ingredients business disposed of its underutilised torula yeast facility in Hutchinson, Minnesota and acquired Italmill, a supplier of specialist bakery ingredients based in the north of Italy. On 6 September 2019 ACH in the US acquired Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients.

In August we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, a non-cash impairment charge of £88m against AB Mauri's assets in China has been included in losses on closure of businesses in the income statement.

Taxation
We recognise the importance of complying fully with all applicable tax laws as well as paying and collecting the right amount of tax in every country in which the group operates. Our board-adopted tax strategy is based on seven tax principles that are embedded in the financial and non-financial processes and controls of the group. This tax strategy is available on the group's website at: www.abf.co.uk/documents/pdfs/policies/abf_tax_strategy.pdf.

This year's tax charge on the adjusted profit before tax was £302m at an effective rate of 21.5% (2018 – 21.3%). We expect next year's adjusted effective tax rate to increase slightly from this level.

The total tax charge for the year of £277m benefited from a credit of £25m (2018 – £35m) for tax relief on the amortisation on non-operating intangible assets, amortisation of acquired inventory fair value adjustments, profits on disposal of non-current assets, losses on disposal of businesses and exceptional items.

Earnings and dividends
Earnings attributable to equity shareholders in the current year were £878m and the weighted average number of shares in issue during the year, which is used to calculate earnings per share, was 790 million (2018 – 790 million). Given the loss on closure of businesses and exceptional items charged this year, earnings per ordinary share were 13% lower than last year at 111.1p. Adjusted earnings per share, which provides a more consistent measure of trading performance, increased by 2% from 134.9p to 137.5p.

The interim dividend was increased by 3% to 12.05p and a final dividend has been proposed at 34.3p which represents an overall increase of 3% for the year. The proposed final dividend is expected to cost £271m and will be charged next year. Dividend cover, on an adjusted basis, remained at 3.0 times.

Balance sheet
Non-current assets of £8.2bn were £0.2bn lower than last year driven by a decrease in employee benefits assets as the surplus in the UK defined benefit pension scheme declined. The investment in property, plant and equipment and intangible assets was in line with last year, with capital expenditure and acquisitions made in the year offset by depreciation and impairments.

Average working capital as a percentage of sales increased from 7.2% last year to 7.8% this year, while working capital at the year end was also higher than last year due principally to higher inventories at Primark. Net cash at the year end was £936m compared with net cash at the end of last year of £614m reflecting the strong operating cash flow in the year.

The group's net assets increased by £0.3bn to £9.6bn. Return on capital employed for the group which is calculated by expressing adjusted operating profit as a percentage of the average capital employed for the year, was lower this year at 19.3% compared with 20.1% last year, mainly driven by the reduction in the return on capital at AB Sugar.

Cash flow
Net cash inflow from operating activities increased slightly to £1,509m. Capital expenditure reduced compared to the prior year with lower spend at Primark this year reflecting the planned later phasing of next year's store openings and the consequent timing of store fit out costs, while lower spend in the food businesses followed the recent completion of some major capital projects. £12m was realised from the sale of property, plant and equipment. The net cash outlay on acquisitions was £100m, including debt assumed, and related principally to the acquisitions of Yumi's and Anthony's Goods.

Tax paid in the year amounted to £269m. Generally in the UK, 50% of the corporation tax due in respect of an accounting period is payable in that period with the remaining 50% being paid in the following accounting period. Changes made by HMRC which come into effect next year will result in all of the tax due for a financial year being paid in that financial year. Accordingly, the group's tax cash outflow in 2020 will be higher than 2019.

Financing
The financing of the group is managed by a central treasury department. The group has total committed borrowing facilities amounting to £1.6bn, which comprise: £0.3bn of US private placement notes maturing between 2021 and 2024, with an average fixed rate coupon of 4.4%; £1.2bn provided under a syndicated, revolving credit facility which matures in July 2021; and £0.1bn of local committed facilities in Africa. At the year end, £412m was drawn down under these committed facilities. The group also had access to £564m of uncommitted credit lines under which £162m was drawn at the year end. Cash and cash equivalents totalled £1.5bn at the year end.

Pensions
The group's defined benefit pension schemes were in surplus by £33m at the year end compared with a surplus last year of £435m. The UK scheme accounts for 91% of the group's gross pension assets. The decline in long-term UK bond yields during the year, which are used to value defined benefit pension obligations for accounting purposes, had a material impact on the discounted value of pension liabilities. The lower pension surplus will result in reduced interest income next year in respect of defined benefit pensions, and is reported in other financial income.

The most recent triennial valuation of the UK scheme was undertaken as at 5 April 2017 which determined a surplus of £176m on a funding basis. As a result there is no requirement to agree a recovery plan with the trustees.

The charge for the year for the group's defined contribution schemes, which was equal to the contributions made, amounted to £80m (2018 – £77m). This compared with the cash contribution to the defined benefit schemes of £50m (2018 – £39m).

New accounting standards

The accounting policies applied during this financial year, and details of the impact of adoption of new accounting standards in future financial years, are set out in the Significant accounting policies.

During this financial year we adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* with no material impact arising on adoption. On transition, comparatives were not restated. Under IFRS 15, Grocery revenues would have reduced by £31m last year as certain payments to customers which were previously expensed as incurred would instead have been deducted from revenue. This reduction represents 0.9% of revenue in the Grocery segment and would have had the effect of increasing Grocery operating margin by 8 basis points last year. This had no effect on the timing or amount of operating profit.

IFRS 16 *Leases*

The group will adopt IFRS 16 *Leases* in the 2020 financial year, which is the most significant accounting change for our group for many years. It affects many aspects of the group's financial statements, including operating profit, earnings per share and net debt, as well as return on capital employed.

The effects of adopting IFRS 16 at our transition date of 15 September 2019 are set out in the Significant accounting policies section. We will recognise lease liabilities at transition of £3.6bn and right-of-use assets of £3.1bn.

The vast majority of the lease liabilities relate to Primark's leasehold store estate. The effect on our food businesses, where many of our properties are owned under freeholds, is much less significant.

We will transition using the 'modified retrospective' approach, under which the comparative period is not restated. We have set out below our estimates of selected 2019 financial information, on a pro forma IFRS 16 basis, in order to illustrate the effects on the income statement and key metrics for Primark.

Effects on the group financial statements and metrics:

- The balance sheet would have shown net debt of £2.7bn.
- Gearing (expressed as debt as a proportion of debt plus equity) would have been 31% at the balance sheet date.
- Adjusted operating profit would have increased by £64m, with rental expense replaced by depreciation of right-of-use assets.
- Interest expense would have increased by £90m of interest charged on lease liabilities.
- Interest cover would have been 14 times.
- Adjusted profit before tax would have reduced by £26m.
- Adjusted earnings per share would have reduced by 2% from 137.5p to 134.8p.

There is no change to overall net cash flows and while this is a significant change in financial reporting, our business model remains unchanged and our balance sheet remains robust.

Effects on Primark metrics:

- Primark's margin would have increased from 11.7% to 12.5% due to higher adjusted operating profit, with store rental expense replaced with a depreciation charge on right-of-use assets.
- Primark's return on capital employed would have decreased from 29% to 15%, as right-of-use assets are now included in capital employed.

John Bason
Finance Director

Responsibility

LIVING OUR VALUES

A great deal has changed since we were established more than 80 years ago, but one thing has remained constant: our commitment to operating responsibly and ethically at all times.

Our purpose is to provide safe, affordable food and clothing that offers great value for money. In doing these things well, we know we are doing good every day by helping to make millions of people's lives better.

Our values

We live and breathe our values through the work we do every day. They guide our everyday behaviour and help us to articulate how we deliver long-term benefits for our people, suppliers, neighbours, customers and the environment.

We have – for the first time – set out a group-level articulation of the values expressed by our individual businesses. These are not new values recently discovered, but the underlying threads which run through every interaction at Associated British Foods and its businesses.

These do not replace each business' own values, but rather consolidate and summarise the most common themes found across the group. We developed them by distilling how our own businesses describe and implement their values. By collating the values from 22 of our own businesses, we were able to use language that is reflective of our businesses' own words.

Respecting everyone's dignity
We strive to protect the dignity of everyone within and beyond our operations so that the people who make our products feel safe, respected and included.

Acting with integrity
We proudly promote and protect a culture of trust, fairness and accountability that puts ethics first. From farms and factories right through to our boardroom, we are committed to embedding integrity into every action.

Progressing through collaboration
We work with others to leverage our global expertise for local good. Through collaboration with our stakeholders, including non-governmental organisations (NGOs), we're working to create safer, fairer working environments and promoting thriving, resilient communities.

Pursuing with rigour
From the products we make, to the way we preserve the resources we rely on and support the people we work with, we are always learning and incorporating better practices. Across our businesses, we are partnering with industry experts to help us work towards the highest standards.

REPORTING AND STAKEHOLDERS

Non-Financial Reporting Requirements

The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the annual report and accounts. Accordingly, the disclosures required in the Company's non-financial information statement can be found on the following pages in the Strategic report (or are incorporated into the Strategic report by reference for these purposes from the pages noted):

- Information on our employees (pages 55 and 56)
- Information on diversity (pages 56 and 57)
- Information on our Anti-bribery and Corruption Policy (page 57)
- Information on our Whistleblowing Policy (page 57)
- Information on our approach to human rights (page 58)
- Information on social matters (pages 58 and 59)
- Information on our Environment Policy (pages 60 and 61)

* Further information on these can also be found in the 2019 Responsibility Report

Further Responsibility and ESG Disclosures

In recent years we have published a full corporate responsibility report every three years with annual updates. This year our responsibility report has evolved into two separate documents. The first is a responsibility report Living our values which provides an overview of our operations and material impact: investing in our people; supporting society and strengthening our supply chain; and respecting the environment. The second is an environmental, social and governance, ESG Appendix that provides a greater depth of data to complement the responsibility report and provide an 'at a glance' for our recent historical non-financial performance.

There is also further information on our website at www.abf.co.uk/responsibility. Here you can find our previous corporate responsibility reports and updates, our Modern Slavery and Human Trafficking Statement, our 2019 Responsibility Report and our 2019 ESG Appendix.

Engaging with external stakeholders

Our scale employing 138,000 people and with operations in 52 countries across the world mean that our activities matter to many people. Our reporting is intended to provide our wide range of stakeholders with an accurate picture of our approach to addressing both social and environmental challenges.

Our businesses routinely engage with customers, relevant regulators and industry bodies. At a group level we also engage with a variety of stakeholders through a range of methods. Some of these are noted below.

Environment, Social and Governance (ESG) assessments

Investor interest in ESG-related issues is growing. We are engaging more than ever with both individual investors and investor-related ESG research agencies. Despite publishing and providing accurate and wide ranging data we find that with both investors and ESG research agencies, we are regularly explaining that our business model does not fit neatly into a survey or standard question set. As such, our first ever ESG Appendix is published in response to these increasing requests for performance data and is an example of the growing importance of providing a wide range of publicly available ESG data.

Environment

Every year we share our performance in addressing climate change, water and deforestation risks via CDP, and request that our reports are publicly available on their website, www.cdp.net, as well as our own.

Human rights

We engage with a number of organisations on issues around human rights, including the Corporate Human Rights Benchmark and KnowTheChain.

People

We devote hundreds of thousands of hours to training our people, as well as millions of pounds to keep them safe. We were pleased to be one of 34 responding companies to the pilot phase of the Workforce Disclosure Initiative and have now submitted our response to the third survey.

Social

We engage with a wide range of NGOs on social matters, primarily at the level of our individual businesses due to the often local and subject-specific nature of these engagements. We have outlined many of these engagements in our responsibility report, Living our values.

Review Living our values online:
www.abf.co.uk/responsibility

We engaged EY to provide limited assurance over the reliability of 15 environment and safety key performance indicators (KPIs) for the year ended 31 July 2019. These are marked with the symbol Δ in these pages.

Responsibility | Our people

INVESTING IN OUR PEOPLE

We prioritise the safety and well being of all our employees and those who work with us. We also want them to have every opportunity to develop and progress. As a diverse, decentralised organisation, our businesses operate in different global contexts, so they are given the flexibility to manage these issues at a local level.

Whilst we offer our businesses significant autonomy when it comes to our people, we have a clear set of principles that are common to all:

- we provide a safe and healthy workplace;
- we offer equal opportunities in recruitment, career development and promotion whatever their sex, age, race, religion or sexual orientation;
- we proactively support employees when pregnant or as new parents;
- we give full and fair consideration to applicants with disabilities; the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees;
- we do not tolerate sexual, mental or physical harassment in the workplace;
- we brief and engage with our employees on a regular basis to create a common understanding of the financial performance of the group and we seek our employees' views to take them into account in decision making;
- we will take all steps necessary to minimise the risks to our staff and customers' safety.

Safety

The health and safety of our employees, contractors and those affected by our activities is a priority. All our businesses invest in programmes that drive continuous improvements in processes and standards for health and safety. We also encourage and empower our people to report and address concerns so that everyone feels safe and secure in their place of work.

Our approach to safety

All our businesses must comply with Associated British Foods' Health and Safety (H&S) Policy (www.abf.co.uk/responsibility). We pursue this with rigour across the group, and many businesses supplement the group policy with additional policies of their own. Our businesses also have tailored action plans to reduce the risk of injuries and incidents in their own operations.

We have many safety programmes in place to encourage our people to take responsibility for keeping themselves and their colleagues safe. We deliver a wide range of training on high-risk areas to ensure our people are equipped with robust safety knowledge.

Our safety performance this year

Loss of life as a result of our activities is unacceptable. This year there were no work-related fatalities Δ. However, we recognise that there are areas of high safety risk in our businesses and we continuously work towards our goal of zero-harm in our workplaces and activities. Our goals remain to eliminate fatalities and continuously improve our safety performance.

This year, 76% of our factories and stores achieved a year's operation without any Reportable Injuries and 67% did not have a Lost Time Injury (LTI).

In 2019, LTIs among employees decreased by 18% from 833 last year to 682 Δ. This equates to an LTI rate of 0.65% of our people experiencing an injury that resulted in time off work. For contractors, the LTI rate for the year was 0.19%. There was also a 14% decrease in Reportable Injuries to employees from 663 in 2018 to 573 this year. This equates to 0.54% of our employees having a Reportable Injury.

A healthy workforce extends beyond just managing health and safety risks. Our holistic approach includes programmes and initiatives that proactively help employees to maintain and improve their overall wellbeing. Sound mental health is an essential part of this, and we continue to invest in programmes that raise awareness and provide practical assistance to our people.

Health and safety fines

During 2019, we received six safety fines Δ with a cost of £34,000 Δ which fell within the reporting year. All the businesses involved are required to report to Associated British Foods' Safety and Environment Manager on when and how remedial actions are implemented.

Number of employees

2019	**138,097**
2018	137,014
2017	132,590
2016	129,916
2015	124,036

Reportable Injury Rate

2019	**0.54%**
2018	0.63%
2017	0.59%
2016	0.47%
2015	0.48%

Gender metrics

Associated British Foods plc board directors are not included in the table below. We currently have two women and six men on the Company's board.

	Total employees*	Men in workforce	Women in workforce	Percentage of workforce who are women	Number of senior management roles**	Number of men in senior management roles	Number of women in senior management roles	Percentage of senior management who are women
Grocery	17,059	11,400	5,659	33%	750	443	307	41%
Sugar	33,619	28,103	5,516	16%	334	242	92	28%
Agri	2,525	1,810	715	28%	343	211	132	38%
Ingredients	6,664	4,942	1,722	26%	576	425	151	26%
Retail	77,787	20,289	57,498	74%	302	155	147	49%
Central	443	269	174	39%	55	38	17	31%
Total	**138,097**	**66,813**	**71,284**	**52%**	**2,360**	**1,514**	**846**	**36%**

* Full-time, part-time and seasonal/contractors. ** Includes directorships of subsidiary undertakings.

Investing in safety

Our businesses invested over £29m in safety risk management over the last 12 months. This includes investments in improving working in confined spaces and at height, fire risk assessments and equipment upgrades, dust monitoring and air quality, improvements to lighting and safety signage and emergency first aid training.

Product Safety

Maintaining food safety and quality is a core part of our work, both across the Group and within our individual businesses. Each of our businesses has clear policies, procedures and the identification of individuals with responsibility for food safety as part of its Quality Management System. These systems are audited annually. For more information see page 31 of the responsibility report.

Promoting Diversity

Diversity is key to our culture, gives us a competitive edge and is one of the ways we live our values every day.

We strive to create diverse inclusive working environments in which everyone's dignity is respected and people are valued regardless of ethnicity or race, religion, gender, age, nationality, sexual orientation or disability.

For details on diversity as it relates to the board of the Company, please see page 78.

The board is only one small part of our total business and our commitment to promoting diversity extends across the entire workforce. Given our decentralised business model, many policies that foster diversity in the workforce are developed and delivered locally. However we do also operate initiatives across Associated British Foods to promote diversity and these include:

- a groupwide gender diversity task force which aims to ensure that there are no barriers to prevent talented people from succeeding within the Company;
- senior and high-potential women are invited to join 'Women in ABF', which meets three times a year providing a chance for networking, learning and support for personal career development. The group currently has over 500 members;
- a Two-Way Mentoring Programme aims to grow the talent pipeline by matching high-potential women with senior leaders around the group who support their career development and broaden their business experience. In return the senior leaders have the opportunity to learn about another business or function, understand the perspectives of women working within them and develop their own listening and coaching skills; and
- managers being trained in 'unconscious bias', which aims to build awareness and challenge commonly-held myths around diversity.

Gender pay gap reporting

This year, for the third time, we have chosen to report on the gender pay gap that relates to our total employee population in Great Britain as at 5 April 2019. Please note that more than half of our workforce is employed outside Great Britain and is therefore not included in this analysis.

In addition, and as required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we submit data for our relevant legal entities to the UK Government through their website. A number of our businesses, such as Primark, AB Agri and British Sugar, publish their own gender pay gap reports online and they can be found here:

Online gender pay gap reports*

www.primark.com/en/uk-gender-pay-report

www.abagri.com/responsibility/our-policies/gender-pay-report

www.britishsugar.co.uk/perch/resources/18037-digital-gender-pay2pp-a4revhr.pdf

* Please note 2019 data will be uploaded in advance of 5 April 2020

In the main, the situation remains unchanged since last year: at the median, women's hourly pay rate is 28% lower than that of men; and women's median bonus pay rate is 95.9% higher than men.

Overall, the gender balance of Associated British Foods is fairly equal, with women making up 52% of our total global workforce. However, women are less well represented at the top – they hold three quarters of the roles in the lowest paid quartile yet only just over a third of the roles in the upper pay quartile. This is partly influenced by the fact that we have a large number of retail staff on relatively low pay and a higher proportion of these are women.

Gender balance at the top of the group changes slowly because we have a stable senior team, who are currently mostly men. The presence of these senior men in the bonus pool has a distorting effect on the mean bonus gap. The median bonus demonstrates a gap in favour of women. This difference also reflects the varying composition of bonuses across our different businesses.

Our senior management population is becoming more gender balanced year on year which demonstrates the success of our various initiatives to achieve no barrier to talent. In 2017 and 2018, 23% of the people who report to members of our executive committee were women; in 2019 this figure was 24%, data we have shared with the Hampton-Alexander Review.

We recognise that our approach means we are unlikely to meet the 2020 expectations of the Hampton-Alexander Review. We believe our approach is right for our decentralised structure and will continue to deliver an increasingly balanced senior team.

Anti-bribery and corruption policy
Our values commit us to acting with integrity, meaning that compliance with relevant legislation is a given and we hold ourselves to higher ethical standards. Our Anti-Bribery and Corruption Policy and related procedures apply to all our people. They set out the behaviours and principles required and contain guidance on issues such as engaging new suppliers and other third parties, and the giving and receiving of gifts, hospitality and entertainment.

Our approach to governance is to respect not simply the letter but also the spirit of our policy and act always with integrity. To ensure the effective implementation of our policy and procedures, each business has its own designated Anti-Bribery and Corruption Officer and we have monitoring systems in place at various levels within the group including global risk assessments. In addition, all relevant employees are required to complete an e-learning course on the subject when they join the Company and at regular intervals thereafter, and those who work in higher risk roles are also required to attend regular face-to-face training.

We encourage our people to report any concerns that they may have and provide a confidential and independent whistleblowing service managed by Expolink (see following section) to facilitate this.

A copy of the group's Anti-Bribery and Corruption Policy is available at:
www.abf.co.uk/responsibility

Whistleblowing Policy
Effective and honest communication is essential if wrongdoing is to be dealt with effectively. Our value of pursuing with rigour includes those engaged in malpractice and we are serious in wanting to hear from colleagues about such examples.

Our Whistleblowing Policy provides guidelines for people who feel they need to raise certain issues in confidence. It is designed to protect those raising a genuine concern, in line with the Public Interest Disclosure Act 1998 or other jurisdictional legislation.

We have a whistleblowing telephone hotline in place, managed by Expolink, which can be used by our people, or others, wherever they work in the world. Any calls made to the hotline are disseminated to the senior management team responsible for investigating issues raised. A thorough investigation is then undertaken and any remediation agreed.

A copy of the group's Whistleblowing Policy is available at:
www.abf.co.uk/responsibility

Gender balance: women in the global workforce

Share of workforce by gender

- Men **48.0%**
- Women **52.0%**

- Men **64.0%**
- Women **36.0%**

Gender Pay Gap reporting

At the mean, women's hourly pay rate is 34.2% **lower than that of men**

At the median, women's hourly pay rate is 28.0% **lower than that of men**

At the mean, women's bonus pay rate is 38.2% **lower than that of men**

At the median, women's bonus pay rate is 95.9% **higher than that of men**

20.9% of men received a bonus

6.3% of women received a bonus

Proportion of men and women in each pay quartile

Upper

- Men **67.3%**
- Women **32.7%**

Upper middle

- Men **45.3%**
- Women **54.7%**

Lower middle

- Men **19.3%**
- Women **80.7%**

Lower

- Men **26%**
- Women **74%**

Gender pay and bonus gaps are calculated by comparing the mean (average) and median (central value in the data list) measures for women to that of men and identifying the percentage difference between the two.

SUPPORTING SOCIETY AND STRENGTHENING OUR SUPPLY CHAINS

Our scale and range of operations mean that our impact on society is sizeable. This impact is amplified through our supply chains and we take our responsibilities to use our influence with suppliers seriously.

Our values drive us to place a considerable importance on the wellbeing of the communities we operate in, the people we rely on in our supply chains and the consumers who buy our products.

Progressing through collaboration means leveraging our global expertise for local good. This collaboration can be seen clearly in our supply chains and local communities. Our work to respect human rights is informed by internationally recognised good practice, such as the United Nations Guiding Principles on Business and Human Rights, and enhanced through a range of policies, due diligence and remedy processes.

In every market we always seek to give our consumers the best possible tasting food products. We are also mindful that individual choice can become bewildering and higher rates of obesity in some of our key markets point towards a need for governments, consumers and business to act together to help promote healthy diets and lifestyles. We are doing this through health education, improved product labelling and reformulation.

Respecting Human Rights

In recent years there has been a growth in legislation and reporting requirements on businesses' responsibility to respect human rights. We have welcomed this trend towards mandating greater disclosure about human rights impacts. Motivated by our company values, we have consistently sought to provide our stakeholders with relevant information about the work being undertaken across our businesses to promote and respect human rights.

Our Modern Slavery Statement can be found at www.abf.co.uk/modern_slavery. A number of our businesses have also produced independent statements in accordance with the UK Modern Slavery Act and links to these can be found at www.abf.co.uk/responsibility

We provide opportunities that promote human rights and dignity every day through the employment we create, both directly and indirectly in our global supply chains, and through the positive contribution our products make to people's lives. As a group we work to respect human rights of all the people with whom we interact. Whether they are direct employees, temporary workers or those in our supply chain, we know we can play a role in enhancing their lives.

In line with the decentralised nature of our company, human rights are primarily managed by individual businesses. This also enables the most salient rights to be tackled most effectively by those who best understand the local context. We engage and collaborate with a broad range of interested and concerned stakeholder groups, seeking to remain sensitive to the risks of adverse human rights impacts resulting from our products, services and operations.

This year, we are pleased many of our businesses have engaged in activities that align with the internationally recognised framework of the United Nations Guiding Principles on Business and Human Rights (UNGPs):

- **Policy:** As a group we have a suite of policies that set the standards and create mechanisms to respect human rights – this includes our Supplier Code of Conduct, Whistleblowing Policy and business-specific human rights policies (e.g. AB Agri).
- **Due diligence:** Twinings has sought to understand the actual and potential human rights risks throughout the value chain and our Sugar businesses conducted due diligence to understand the different risks across their various operations.
- **Remedy:** Over the last few years, Primark has been working to review, revise and improve its approach to remedy and the grievance mechanisms it has to offer.

For further information see pages 24–28 of our 2019 Responsibility Report with additional information provided in the ESG Appendix.

Raising awareness and training
This year, in collaboration with Twinings, we developed a new online ethical training toolkit, the first module of which is designed to raise awareness of modern slavery. The course seeks to educate our people about modern slavery and forced labour, providing real-life examples and highlighting the importance of managing known business risks. The course also outlines how those operating in our supply chain can help to keep it free from modern slavery and human trafficking. This course was made available to all our businesses and, in the six months since it was launched, has been completed by more than 700 employees.

Where risks of modern slavery are high, we ask our suppliers to conduct their own Modern Slavery training. For instance, some of the agencies that provide us with temporary labour have conducted training internally at our request.

In addition to this centralised training, a number of our businesses have created tailored training to raise awareness. For instance:

- Westmill provided Modern Slavery training to 91% of those employees whose role involves recruitment or procurement;
- AB Agri trained its transport managers, commercial teams and delivery drivers (who visit more than a thousand farms across the UK every year) to recognise the signs of modern slavery and forced labour;
- AB Sugar created a video to raise awareness of the potential for modern slavery in its supply chain and to provide staff with advice on how to act on concerns, such as contacting independent whistleblowing hotlines. It is currently exploring how the video can also be shared with its suppliers.

Priority commodities
Our businesses purchase a significant variety of different commodities to make the food and clothing items we sell. Our businesses have identified a range of priority commodities among them that they will focus on sourcing responsibly.

For example, Primark has identified cotton as a focus commodity. Primark's Sustainable Cotton Programme provides growers in India, Pakistan and China with training in sustainable farming methods, helping them to increase productivity and improve their livelihoods; see page 26 of the responsibility report for further information.

Promoting health and wellness
As a company that is proud to sell a range of food items and ingredients, we take seriously our responsibility to promote healthy diets and lifestyles. We do this in three main ways:

- **Education:** We help educate consumers by running campaigns that provide them with accurate information about aspects of their diet like fibre and sugar. Two such examples are Jordans Dorset Ryvita's programme FibreFit (see 2019 Responsibility Report page 31) and AB Sugar's Making Sense of Sugar campaign (see 2019 Responsibility Report page 29).
- **Product labelling:** Our businesses provide clear product labelling and in many cases this includes the addition of enhanced nutritional information. One example is the Tip Top brand that features clear front-of-pack nutritional information aligned with a national public health campaign in Australia called 'A Grain of Truth' (see 2019 Responsibility Report page 29).
- **Reformulation:** As a business operating in a range of food and ingredient sectors, we have an opportunity to reformulate both finished products and ingredients. Allied Bakeries is a business offering reformulated products with greater fibre content and more vitamins and minerals (see 2019 Responsibility Report page 30). Ohly, an ingredients business, has developed baker's yeast that enables bakeries to achieve a great tasting product with lower salt (see 2019 Responsibility Report page 30).

RESPECTING THE ENVIRONMENT

At a group and business level, we remain committed to seeking sustainable solutions to environmental challenges.

We are focused on building resource efficiencies into all our operations. We strive to use raw materials and ingredients efficiently and responsibly, create less waste and recycle more of the waste we do generate.

Acting on climate change
Increasingly unpredictable and severe weather events are already affecting food security, consumption habits and the availability of natural resources.

Our ambition to reduce our overall environmental footprint therefore includes business-led commitments to reduce GHG emissions, recognising the Paris Climate Agreement which aims to limit global temperature rises to no more than 2 degrees Celsius by the end of the century. Working collaboratively with partners, we want our operations and supply chain to withstand the challenges of the changing climate while taking advantage of new opportunities including product innovation and increased efficiencies.

Our businesses have a role to play in the transition to a low carbon economy by increasing the efficiency of our buildings, operations, logistics and agricultural activities, by using renewable energy where feasible and by investing in new technologies.

Our energy-intensive businesses, and those reliant on secure crop supplies, have initiatives to manage their impacts and adapt to changes and have thus set goals to reduce their emissions. For example:

- AB Sugar has made an industry-leading commitment to reduce its end-to-end supply chain CO_2 footprint by 30% by 2030;
- Illovo Sugar is committed to reducing GHG emissions by 10.7% by 2020, compared with 2010; and
- AB Agri has an aspiration to reduce its operational energy footprint by 20% between 2014 and 2024.

We use the Task Force on Climate-related Financial Disclosure's (TCFD) recommendations to inform our approach on climate action and related disclosures. This year, we conducted our first high-level climate risk assessment considering the impact of 2°C global warming on our businesses in the short to medium term.

We publish more detail on our climate-related governance and risk management through CDP's report at www.cdp.net and on pages 62 to 66 of this report.

Our total emissions (scopes 1, 2 and 3) have decreased again this year. For 2019, we report a 4% decrease compared with last year to 4.75 million tonnes CO_2e Δ.

We also report our emissions classified as 'out of scope', which are CO_2 emissions resulting from the use of renewable fuels. As these are considered to be net zero or carbon neutral, they are reported separately.

Reducing our energy use
As energy generation is our primary source of GHG emissions, all our businesses are working hard to improve energy efficiency on a continuous basis, as well as via investment projects. In addition, the price volatility of the energy we purchase means that rigorous energy management is a key operational focus.

In 2019, our total energy use was 23,565 GWh Δ, a 2% increase on 2018. Our sugar businesses consumed 82% of the group's total, or 19,238 GWh.

Our greenhouse gas emissions

	2019 emissions Δ (000 tCO_2e)	2018 emissions (000 tCO_2e)
Scope 1 – combustion of fuel and operation of facilities	3,087	3,159
Scope 1 – generation and use of renewables	75	69
Scope 1 Total	**3,162**	**3,228**
Scope 2 – emissions from purchased electricity, heat or steam (location method)	831	925
Scope 3 – indirect emissions from use of third-party transport	753	813
Total emissions (Scopes 1, 2 & 3)	**4,746**	**4,966**
Out of scope emissions	**3,962**	**3,711**
Emission intensity (Scope 1 and 2)	252 tonnes per £1m of revenue	266 tonnes per £1m of revenue

We report our GHG inventory using the GHG Protocol Corporate Accounting and Reporting Standard Revised edition as our framework for calculations and disclosure. We use carbon conversion factors published by the Department for Business, Energy and Industrial Strategy (BEIS) in August 2019, other internationally recognised sources and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control. Scope 2 location-based emissions have been calculated in accordance with the GHG Protocol Scope 2 Guidance on procured renewable energy. For 2018 and 2019, scope 3 emissions are our third-party transport emissions only. See our ESG Appendix for more detail.

Business initiatives

AB Sugar

30%
reduction
in CO_2 footprint
by 2030

Illovo Sugar

10.7%
reduction
in GHG emissions
by 2020

AB Agri

20%
reduction
in energy footprint
by 2024

In 2019, we exported 971 GWh of energy, which is an 18% increase compared with last year. Some of our sites generate energy on-site and when this is surplus to their needs, they export it to the national grid or other organisations.

We also continuously explore how we can better use renewable energy. Of the total energy we used this year, 52% or 12,211 GWh Δ, came from renewable sources. This equates to a 6% increase in the amount of renewable energy generated and used on site compared with last year. Most of this energy (92%) came from bagasse – the residual fibre left after sugar is extracted from sugar cane – from our operations in southern Africa. We also use on-site anaerobic digesters (AD) to generate biogas from our own waste streams, such as British Sugar's AD plant in Suffolk and AB Agri's facility in Yorkshire. This year biogas accounted for 2% of the total renewable fuels used on site.

Water management

Our businesses invest in initiatives to reduce water abstraction per tonne of product and increase their ability to reuse water for cleaning or cooling equipment or for irrigation before returning it to the environment. By reusing water, we reduce the amount which is abstracted in the first place. In 2019, we abstracted 880 million m^3 Δ of water which is a 5% increase compared with last year. Of the total water abstracted, 19% was reused within our operations before finally returning it to the watercourse.

Managing waste

We look for positive ways to use the waste we create, through reuse and recycling or by creating by-products such as energy, soil or animal feed. This year we generated 631,800 tonnes Δ which is an 18% decrease compared with last year. Of the total generated, 80% was recycled, recovered or had a beneficial use.

Packaging and plastics

Packaging is essential for containing and protecting our products during transit and on the shelf, and we remain committed to initiatives that improve recyclability and recycling rates, reduce volume and weight and avoid waste. In 2019, Associated British Foods used 258,800 tonnes Δ of packaging. This 1% increase compared with last year was largely due to an increase in production at specific sites.

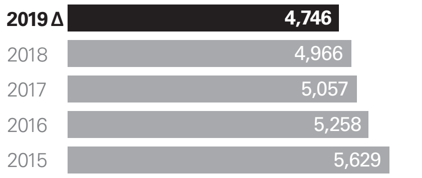
Opportunities to use innovative, bio-based materials are limited, not least due to the strict regulations governing the materials that can be used in contact with food, but we continue to explore potential new packaging solutions. We believe that all stakeholders need to work together to create the recycling infrastructure needed for a truly circular economy for plastics and welcome initiatives which encourage this development.

Our UK Grocery businesses signed the UK Plastics Pact in 2018, through which they have committed to ensure 100% of their plastic packaging is reusable, recyclable or compostable and averages 30% recycled content by 2025.

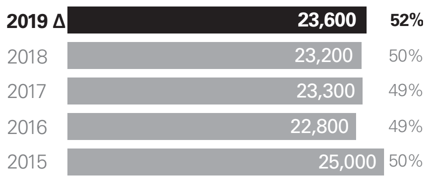
Environmental compliance

This year we received 14 environmental fines Δ with a cost of £118,000 Δ which fell within the reporting year. These were largely due to the treatment of waste water, management of on-site waste, gas emissions and odour control. The sites have addressed the issues and liaised with the local authorities and regulators to ensure standards are met.

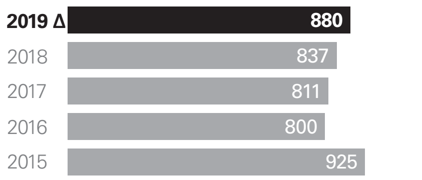
Scope 1, 2 and 3 GHG emissions (000 tonnes CO_2e)



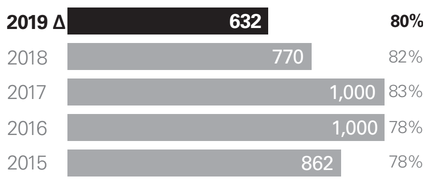
Energy consumption (GWh) and proportion from renewable sources



Water abstracted (million m^3)



Waste disposed (000 tonnes) and proportion recycled



Quantity of packaging used (000 tonnes)

EFFECTIVE RISK MANAGEMENT

Our approach to risk management
The delivery of our strategic objectives and the sustainable growth (or long-term shareholder value) of our business, is dependent on effective risk management. We regularly face business uncertainties and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities when they arise. The diversified nature of our operations, geographical reach, assets and currencies are important factors in mitigating the risk of a material threat to the group's sustainable growth and long-term shareholder value. However, as with any business, risks and uncertainties are inherent in our business activities. These risks may have a financial, operational or reputational impact.

The board is accountable for effective risk management, for agreeing the principal risks facing the group and ensuring they are successfully managed. The board undertakes an annual assessment of the principal risks, including those that would threaten the business model, future performance, solvency or liquidity. The board also monitors the group's exposure to risks as part of the performance reviews conducted at each board meeting. Financial risks are specifically reviewed by the Audit committee.

Each year, the Audit committee on behalf of the board reviews the effectiveness of the group's approach to risk management including the internal control procedures and resources devoted to them.

Our decentralised business model empowers the management of our businesses to identify, evaluate and manage the risks they face, on a timely basis, to ensure compliance with relevant legislation, our business principles and group policies.

Our businesses perform risk assessments which consider materiality, risk controls and specific local risks relevant to the markets in which they operate. The collated risks from each business are shared with the respective divisional chief executives who present their divisional risks to the group executive.

The group's Director of Financial Control receives the risk assessments on an annual basis and, with the Group Finance Director, reviews and challenges them with the divisional chief executives, on an individual basis. These discussions are wide ranging and consider operational, environmental and other external risks. These risks and their impact on business performance are reported during the year and are considered as part of the monthly management review process.

Group functional heads including Legal, Treasury, Tax, IT, Pensions, HR, Procurement and Insurance also provide input to this process, sharing with the Director of Financial Control their view of key risks and what activities are in place or planned to mitigate them. A combination of these perspectives with the business risk assessments creates a consolidated view of the group's risk profile. A summary of these risk assessments is then shared and discussed with the Group Finance Director and Chief Executive at least annually.

The Director of Financial Control holds meetings with each of the non-executive directors seeking their feedback on the reviews performed and discussing the key risks and mitigating activities. Once all non-executive directors have been consulted, a board report is prepared summarising the full process and providing an assessment of the status of risk management across the group. The key risks, mitigating controls and relevant policies are summarised and the board confirms the group's principal risks. These are the risks which could prevent Associated British Foods from delivering its strategic objectives. This report also details when formal updates relating to the key risks will be provided to the board throughout the year.

Key areas of focus this year
Effective risk management processes and internal controls
We continued to seek improvements in our risk management processes to ensure the quality and integrity of information and the ability to respond swiftly to direct risks. During the year, the Audit committee on behalf of the board conducted reviews on the effectiveness of the group's risk management processes and internal controls in accordance with the UK Corporate Governance Code. Our approach to risk management and systems of internal control is in line with the recommendations in the Financial Reporting Council's (FRC) revised guidance 'Risk management, internal control and related financial and business reporting' (the Risk Guidance). The board is satisfied that internal controls were properly reviewed and key risks are being appropriately identified and managed.

Brexit
Following the referendum decision in 2016, the group established an EU Exit Steering Committee which consists of a small dedicated team which worked with all the businesses to assess the risks and opportunities arising from the UK's decision to leave the EU. The group's business model, under which Primark operates largely discrete supply chains for its stores in each of the UK, US and EU27 and food production is, wherever possible, aligned with the end market, means that the group undertakes relatively little cross-border trading between the UK and the rest of the EU. We therefore quickly came to the conclusion that the overall impact of Brexit on the group was relatively minor.

We recognise that the current political situation makes the final outcome of the negotiations between the UK and the EU uncertain. While we would prefer a negotiated exit, we are prepared for any of the potential outcomes.

In particular, over the last year the group and the individual businesses have taken reasonable steps to mitigate where possible the impacts of leaving the EU without a transitional agreement. The key risks identified, and the actions taken are as follows:

- **Imports to the UK.** The UK government has indicated the tariffs that will be applied to imports in the absence of a transitional agreement and we expect these to have a net positive impact on the group. All necessary registrations have been completed. Where goods are imported into the UK by third parties on behalf of the businesses, assurances have been sought that these will be available when required.

- **Disruption to EU-UK logistics**. In the absence of a withdrawal agreement, there is a risk of delays and disruption to the flow of goods between the UK and the EU in both directions. The businesses that could potentially be impacted by this have reviewed their exposure and where appropriate have increased inventory levels to partially mitigate the risk. The ability to do this is constrained by warehouse availability and the shelf life of the goods.
- **Data.** Where necessary, the businesses have agreed Standard Contractual Terms to enable certain personal data to be transferred from the EU to the UK.
- **People.** The businesses have publicised the UK government's Settled Status Scheme and where appropriate have assisted employees with the application process.

Our principal risks and uncertainties
The directors have carried out an assessment of the principal risks facing Associated British Foods, including those that would threaten its business model, future performance, solvency or liquidity. Outlined below are the group's principal risks and uncertainties and the key mitigating activities in place to address them. These are the principal risks of the group as a whole and are not in any order of priority.

Associated British Foods is exposed to a variety of other risks related to a range of issues such as human resources and talent, community relations, the regulatory environment and competition. These are managed as part of the risk process and a number of these are referred to in our 2019 Responsibility Report. Here, we report the principal risks which we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation. They are grouped into external risks, which may occur in the markets or environment in which we operate, and operational risks, which are related to internal activity linked to our own operations and internal controls.

The 'Changes since 2018' describe our experience and activity over the last year.

External risks

Risk trend	Mitigation	Changes since 2018
Increased **Movement in exchange rates** **Context and potential impact** Associated British Foods is a multinational group with operations and transactions in many currencies. Changes in exchange rates give rise to transactional exposures within the businesses and to translation exposures when the assets, liabilities and results of overseas entities are translated into sterling upon consolidation.	Our businesses which are impacted by exchange rate volatility and currency depreciation constantly review their currency-related exposures. Board-approved policies require businesses to hedge all transactional currency exposures and long-term supply or purchase contracts which give rise to currency exposures, using foreign exchange forward contracts. Cash balances and borrowings are largely maintained in the functional currency of the local operations. Cross-currency swaps are used to align borrowings with the underlying currencies of the group's net assets (refer to note 25 to the financial statements for more information).	Sterling weakened against some of our major trading currencies this year, resulting in a gain on translation this year of £9m. Primark covers its currency exposure on purchases of merchandise denominated in foreign currencies at the time of placing orders, with an average tenor of Primark's hedging activity of between 3 and 4 months. There was a minimal transactional effect from changes in the US dollar exchange rate on Primark's largely dollar denominated purchases for the year in aggregate. In the last quarter of the financial year there has been a greater level of volatility in sterling exchange rates against our major trading currencies.
Unchanged **Fluctuations in commodity and energy prices** **Context and potential impact** Changes in commodity and energy prices can have a material impact on the group's operating results, asset values and cash flows.	The group purchases a wide range of commodities in the ordinary course of business. We constantly monitor the markets in which we operate and manage certain of these exposures with exchange traded contracts and hedging instruments. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.	Lower sugar prices had another negative impact on the profitability of our businesses in the UK, Spain and China this year. However, spot EU prices increased during the second half and should have a positive impact on profitability next year. The price of UK wheat, a key commodity for our UK bakery business, returned to more normal levels following a significant increase in 2018.

External risks continued

Risk trend	Mitigation	Changes since 2018
Increased **Operating in global markets** **Context and potential impact** Associated British Foods operates in 52 countries with sales and supply chains in many more, so we are exposed to global market forces; fluctuations in national economies; societal unrest and geopolitical uncertainty; a range of consumer trends; evolving legislation and changes made by our competitors. Failure to recognise and respond to any of these factors could directly impact the profitability of our operations. Entering new markets is a risk to any business.	Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The group's financial control framework and board-adopted tax and treasury policies require all businesses to comply fully with relevant local laws. Provision is made for known issues based on management's interpretation of country-specific tax law, EU cases and investigations on tax rulings and their likely outcomes. By their nature socio-political events are largely unpredictable. Nonetheless our businesses have detailed contingency plans which include site-level emergency responses and improved security for employees. We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy. Following declines in the world and EU sugar prices in 2018, AB Sugar continues to reduce its cost base through its performance improvement programme. We conduct rigorous due diligence when entering, or commencing business activities in, new markets.	In June 2019, Primark opened its first store in Slovenia. High inflation in Argentina adversely affected our yeast and bakery ingredients business based there.
Unchanged **Health and nutrition** **Context and potential impact** Failure to adapt to changing consumer health choices or to address nutrition concerns in the formulation of our products could result in a loss of consumer base and impact business performance.	Consumer preferences and market trends are monitored continually. Recipes are regularly reviewed and reformulated to improve the nutritional value of our products. All of our grocery products are labelled with nutritional information. We develop partnerships with other organisations to promote healthy options.	Our businesses continue to review their products and to partner with others to enable a swift and innovative response to changing consumer needs. Our Sugar and Grocery businesses have supported healthy eating campaigns again this year to help consumers make informed choices about their food. We continue to invest in new product design.

Operational risks

Risk trend	Mitigation	Changes since 2018
Unchanged **Workplace health and safety** **Context and potential impact** Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and visitors.	Safety continues to be the number one priority for our businesses. The chief executives of each business, who lead by example, are accountable for the safety performance of their business. Our Health and Safety Policy and Practices are firmly embedded in each business, supporting a strong ethos of workplace safety. We have a continuous safety audit programme to verify implementation of safety management and support a culture of continuous improvement. Best practice safety and occupational health guidance is shared across the businesses, co-ordinated from the corporate centre, to supplement the delivery of their own programmes.	During the year there has been a 19% reduction in our employee Lost Time Injury rate to 0.65%. Our businesses conduct thorough root cause analyses to learn from accidents and implement safety changes. The safety performance of the group is reported in the 2019 Responsibility Report at www.abf.co.uk/responsibility.
Unchanged **Product safety and quality** **Context and potential impact** As a leading food manufacturer and retailer, it is vital that we manage the safety and quality of our products throughout the supply chain.	Product safety is put before economic considerations. We operate strict food safety and traceability policies within an organisational culture of hygiene and product safety to ensure consistently high standards in our operations and in the sourcing and handling of raw materials and garments. Food quality and safety audits are conducted across all our manufacturing sites, by independent third parties and customers, and a due diligence programme is in place to ensure the safety of our retail products. Our sites comply with international food safety and quality management standards and our businesses conduct regular mock product incident exercises.	We did not have any major product recalls. Businesses have continued to define and refine KPIs in this area.
Unchanged **Breaches of IT and information security** **Context and potential impact** To meet customer, consumer and supplier needs, our IT infrastructure needs to be flexible, reliable and secure to allow us to interact through technology. Our delivery of efficient and effective operations is enhanced by the use of relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as computer viruses and the loss or theft of data. There is the potential for disruption to operations from data centre failures, IT malfunctions or external cyber-attacks.	In parallel to developing our technology systems, we invest in developing the IT capabilities of our people across our businesses. We monitor and address any cyber-threats and suspicious IT activity. We have established processes, group IT security policies and technologies, all of which are subject to regular internal audit. Access to sensitive data is restricted and closely monitored. Robust disaster recovery plans are in place for business-critical applications. Technical security controls are in place over key IT platforms with the Chief Information Security Officer (CISO) tasked with identifying and responding to potential security risks.	There is an ongoing programme of investment in both technology and people to enhance our cyber-security capabilities. During the year we have reviewed IT disaster recovery plans across the businesses. We are refreshing IT Security policies and we have made further investment in people, processes and technology to detect, respond and recover from disruptive cyber-threats.

Operational risks continued

Risk trend	Mitigation	Changes since 2018
Unchanged **Our use of natural resources and managing our environmental impact** **Context and potential impact** Our businesses rely on a secure supply of natural resources, some of which are vulnerable to external factors such as natural disasters and climate change. Our material environmental impacts are energy use and resultant greenhouse gas emissions, water use, waste generation and packaging. In our assessment of climate-related business risks, we recognise that the cumulative impacts of changes in weather and water availability could affect operations at a group level. The diversified nature of Associated British Foods means that mitigation or adaptation strategies are considered and implemented by individual businesses and divisions. Our operations generate a range of emissions such as dust, waste water and waste which, if not controlled, could pose a risk to the environment and local communities.	We continuously seek ways to improve the efficiency of our operations, use technologies and techniques to reduce our use of natural resources and adapt operations to climate change in order to contribute positively to local environments and minimise impact. Our businesses aim to be a good neighbour within their local communities. One aspect of this is the monitoring and management of noise, particle and odour pollution.	The environmental performance of the group is reported in the 2019 Responsibility Report at www.abf.co.uk/responsibility. We annually report our approach to climate change, water and deforestation risk via CDP at www.cdp.net. Our businesses are continuously seeking ways to reduce their impact on the environment. We look for ways to progressively reduce our greenhouse gas (GHG) emissions and reduce our contribution to climate change. AB Sugar, Primark and AB Agri businesses have each set commitments for their own operations and supply chain to improve sustainability performance.
Unchanged **Our supply chain and ethical business practices** **Context and potential impact** As an international business with suppliers and representatives the world over, people with whom we deal and in particular our suppliers and our representatives must live up to our values and standards and share that responsibility. We therefore work with them to ensure reliability and to help them meet our standards of product quality and safety, acceptable working conditions, financial stability, ethics and technical competence. Potential supply chain and ethical business practice risks include: • supply chain weaknesses such as poor conditions for the workforce; • unacceptable and unethical behaviour including bribery, corruption and slavery risk; • impact on reliability of supply and business continuity due to unforeseen incidents e.g. natural disasters; and • long-term sustainability of key suppliers.	Our Supplier Code of Conduct is designed to ensure suppliers, representatives and all with whom we deal, adhere to our values and standards. The full Code is available at www.abf.co.uk/supplier_code_of_conduct Suppliers are expected to sign and abide by this Code. Adherence to the Code is verified through our supplier audit system with our procurement and operational teams establishing strong working relationships with suppliers to help them meet our standards. All businesses are required to comply with the group's Business Principles including its Anti-Bribery and Corruption Policy.	We have developed a company-wide online training module about modern slavery to help accelerate awareness-raising and give businesses the tools to train people. In addition to Primark and Twinings, AB Sugar has produced an interactive sourcing map that outlines where AB Sugar grows, sources and exports sugar: www.absugar.com/sourcing-map Primark has been working to strengthen its policies relating to human rights and modern slavery and has published a revised supplier code of conduct and made public its human rights policy. Our Modern Slavery and Human Trafficking Statement 2019 and the steps we take to try to ensure that any forms of modern slavery are not present within our own operations or supply chain are reported in detail in the 2019 Responsibility Report at www.abf.co.uk/responsibility.

Viability statement

The directors have determined that the most appropriate period over which to assess the Company's viability, in accordance with the UK Corporate Governance Code, is three years. This is consistent with the group's business model which devolves operational decision making to the businesses, each of which sets a strategic planning time horizon appropriate to its activities which are typically of three years duration. The directors also considered the diverse nature of the group's activities and the degree to which the businesses change and evolve in the relatively short term.

The directors considered the group's profitability, cash flows and key financial ratios over this period and the potential impact that the Principal Risks and Uncertainties set out on pages 62 to 66 could have on the solvency or liquidity of the group. Sensitivity analysis was applied to these metrics and the projected cash flows were stress tested against a range of scenarios.

The directors considered the level of performance that would cause the group to breach its debt covenants, the financial implications of making any strategic acquisitions and a variety of factors that have the potential to reduce profit substantially. These included the rate and success of Primark's expansion; actions which could damage the group's reputation for the long term; and macro-economic influences such as fluctuations in commodity markets and the possible implications of a no-deal Brexit.

Such is the diversity of the group, with operations across 52 countries and sales in more than 100, that none of the principal risks or uncertainties individually is considered likely to have a material impact on the group's profitability or extensive cash resources. Furthermore, the group's business model means that no significant reliance is placed on any one group of customers or suppliers and its diversity reduces the risk that issues affecting a particular sector will have a material impact on the group as a whole.

At 14 September 2019, £1.2bn of committed borrowing facilities available to the group were undrawn and the directors are of the opinion that substantial further funding could be secured, at relatively short notice, should the need arise. The revolving credit facility is not due for renewal until July 2021 and £80m of the private placement funding matures beyond the period under consideration.

The group has a sound track record of delivering strong cash flows, with well in excess of £1bn of operating cash being generated in each of the last eight years. This has been more than sufficient to fund expansionary capital investment and, specifically, has enabled the development of Primark in continental Europe and the US. The group's cash flows have supported 8% compound annual growth in the dividend over the last ten years.

Even in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period, the likelihood of the group having insufficient resources to meet its financial obligations is remote. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 17 September 2022.

On behalf of the board.

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

Board of Directors

1. Michael McLintock N R
Chairman

Michael was appointed a director in November 2017 and Chairman in April 2018. He was formerly chief executive of M&G, retiring in 2016, having joined the company in 1992 and been appointed chief executive in 1997. In 1999 he oversaw the sale of M&G to Prudential plc where he served as an executive director from 2000 until 2016. Previously he held roles in investment management at Morgan Grenfell and in corporate finance at Morgan Grenfell and Barings.

Other appointments:
Trustee of the Grosvenor Estate
Non-executive Chairman of Grosvenor Group Limited
Member of the advisory board of Bestport Private Equity Limited
Member of the advisory board of Spencer Stuart
Member of the Takeover Appeal Board

2. George Weston
Chief Executive

George was appointed to the board in 1999 and took up his current appointment as Chief Executive in April 2005. In his former roles at Associated British Foods, he was Managing Director of Westmill Foods, Allied Bakeries and George Weston Foods Limited (Australia).

Other appointments:
Non-executive director of Wittington Investments Limited
Trustee of the Garfield Weston Foundation
Trustee of the British Museum

3. John Bason
Finance Director

John was appointed as Finance Director in May 1999. He has extensive international business experience and an in-depth knowledge of the industry. He was previously the finance director of Bunzl plc and is a member of the Institute of Chartered Accountants in England and Wales.

Other appointments:
Senior Independent Director of Compass Group PLC
Chairman of the charity FareShare

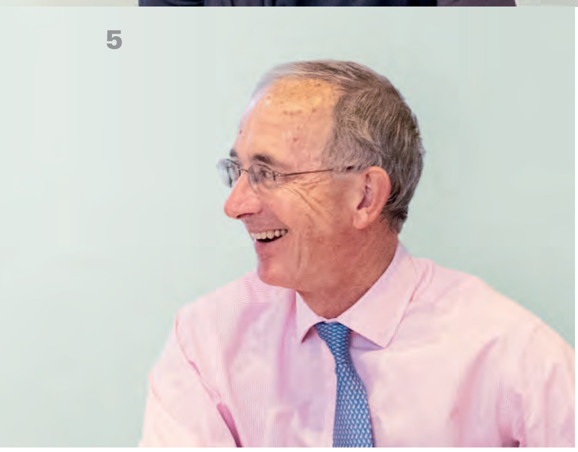
4. Wolfhart Hauser N A R
Independent non-executive director

Wolfhart was appointed a director in January 2015. Starting his career with various research activities, he went on to establish and lead a broad range of successful international service industry businesses. He was Chief Executive of Intertek Group plc for ten years until he retired from that role and the board in May 2015. He was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for ten years. He has also held other directorship roles, including as a non-executive director of Logica plc from 2007 to 2012 and Chair of FirstGroup plc for four years from 2015 to July 2019.

Other appointments:
Senior Independent Director of RELX PLC

Board committees key

- N Nomination committee
- A Audit committee
- R Remuneration committee
- ◯ Committee Chair



5. Richard Reid N A R

Independent non-executive director

Richard was appointed a director in April 2016. He was formerly a partner at KPMG LLP ('KPMG'), having joined the firm in 1980. From 2008, Richard served as London Chairman at KPMG until he retired from that role and KPMG in September 2015. Previously, Richard was KPMG's UK Chairman of the High Growth Markets group and Chairman of the firm's Consumer and Industrial Markets group.

Other appointments:

Chairman of National Heart and Lung Institute Foundation
Deputy Chairman of Berry Bros & Rudd
Senior Advisor to Bank of China UK

6. Emma Adamo

Non-executive director

Emma was appointed a director in December 2011. She was educated at Stanford University and has an MBA from INSEAD in France.

Other appointments:

Director of Wittington Investments Limited
Deputy Chair of the W. Garfield Weston Foundation in Canada

7. Graham Allan A R

Independent non-executive director

Graham was appointed a director in September 2018. Graham was formerly the Group Chief Executive of Dairy Farm International Holdings Limited, a pan-Asian retailer and a subsidiary of Jardine Matheson, until August 2017 after serving five years with the group. Prior to joining Dairy Farm, he was President and Chief Executive Officer at Yum! Restaurants International and was responsible for global brands KFC, Pizza Hut and Taco Bell in all markets except the US and China. Since 1989, Graham has held various senior positions in multinational food and beverage companies with operations across the globe and has lived and worked in Australia, Asia, the US and Europe.

Other appointments:

Senior Independent Director of Intertek Group plc
Chairman of Bata International, a privately owned wholesaler and retailer
Member, Business Council of IKANO Pte Ltd
Board member of Kuwait Food Company Americana KSCC

8. Ruth Cairnie N A R

Independent non-executive director

Ruth was appointed a director in May 2014 and has been Senior Independent Director since 7 December 2018. Ruth was formerly Executive Vice President Strategy & Planning at Royal Dutch Shell plc. This role followed a number of senior international roles within Shell, including Vice President of its Global Commercial Fuels business. Ruth has also held a number of non-executive directorships including on the boards of Keller Group plc and ContourGlobal plc.

Other appointments

Director and Chair of Babcock International Group PLC
Non-executive director of Rolls-Royce Holdings plc (until 31 December 2019)
Industry chair of POWERful Women

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Statement of directors' responsibilities page 110

Independent auditor's report pages 111–118

Dear fellow shareholders
I am pleased to present the Associated British Foods plc corporate governance report for the year ended 14 September 2019. In my first report last year, I looked forward to continuing along the path of strong governance with a focus on ethics, whilst encouraging management to take a long-term view and to invest in the future as our businesses grew. I believe that we have made and continue to make good progress along that path.

As Chairman, my role is to get the best out of the board. This involves ensuring that, whilst the businesses are run through an appropriate and sound executive team, issues are raised and properly discussed around the board table.

This has been a year of consolidating on the existing board and building on the changes that were made last year. Ruth Cairnie was appointed to the role of Senior Independent Director in late 2018. During the course of the year, with the assistance of the Head of Secretariat, we undertook an internal evaluation of the board and its committees. As has been our custom, this was led by the most recently appointed independent non-executive director, in this case Graham Allan, who joined us in September 2018. Overall, the results concluded that our board and committees are regarded as highly effective in providing oversight of the Company and its governance, as well as supporting appropriate growth plans. Further information on this is provided on page 74.

You will note that, at this year's annual general meeting ('AGM'), we will be seeking approval for proposed changes to our remuneration policy. Further details on this can be found on pages 91 to 96 of this annual report.

As I have mentioned before, Associated British Foods is an organisation built upon sound ethical foundations with a strong culture. This is embodied in the values we seek to live by, namely: respecting everyone's dignity; acting with integrity; progressing through collaboration; and pursuing with rigour. We discuss these in further detail in the Responsibility section of this annual report at pages 53 to 61 and also in more detail in our 2019 Responsibility Report which highlights the way each of our businesses work bearing these values in mind. This new report is available on the Company's website at www.abf.co.uk/responsibility.

Last year I mentioned that management at a group level are continually looking to find ways to improve communication links with the businesses. With this in mind, and also taking into account impending changes to corporate governance, I'm pleased to report that Richard Reid was appointed as designated non-executive director for engagement with the workforce. Richard has already made good progress ascertaining the level of engagement already in place, as well as reinforcing the employee engagement processes both with the heads of each division when joining me at the CEO conference in April 2019 as well as with the HR directors of the businesses at their conference over the summer. I look forward to reporting further progress on this in my corporate governance statement next year.

Michael McLintock
Chairman

Compliance with the UK Corporate Governance Code
As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the UK Corporate Governance Code published in April 2016 (the '2016 Code') which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Code is published by the UK Financial Reporting Council ('FRC') and a copy of the Code is available from the FRC website: www.frc.org.uk.

The board has received regular updates on the 2018 UK Corporate Governance Code (the '2018 Code') and the changes which this introduces. The 2018 Code applies to companies with financial years beginning on or after 1 January 2019. We will therefore report in accordance with the 2018 Code in our annual report for the year ending 12 September 2020.

The board has already started a programme to implement the changes suggested in the 2018 Code. For example, the board has recently appointed Richard Reid as designated non-executive director for engagement with the workforce.

The board considers that the Company has, throughout the year ended 14 September 2019, applied the main principles and complied in full with the provisions set out in the 2016 Code.

Leadership

The board

The board of directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success. The board met regularly throughout the year to approve the group's strategic objectives, to lead the group within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the board's approval. These are set out in a clearly defined schedule and include: matters relating to the group's strategic plan; approving the annual business strategy and objectives; the nature and extent of principal risks to be taken to achieve the strategic objectives; changes relating to structure and capital; approval of trading statements, interim results, final results and annual report; declaring interim dividends and recommending final dividends; the group's policies and systems of internal control and risk management; approving capital projects, acquisitions and disposals valued at over £30m; provision of adequate succession planning; approving major group policies and matters relating to the compliance with the terms of the Relationship Agreement between the Company and its controlling shareholders dated 14 November 2014 (which was amended and restated by agreement dated 29 March 2019). The schedule of matters reserved is available to view on the corporate governance section of the Company's website: www.abf.co.uk.

Certain specific responsibilities are delegated to the board committees, being the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference and report regularly to the board. For further details, please see the 'Board committees' section starting on page 77.

Authority for the operational management of the group's business has been delegated to the Chief Executive for execution or further delegation by him for the effective day-to-day running and management of the group. The chief executive of each business within the group has authority for that business and reports directly to the Chief Executive.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the board to ensure that no one has unfettered powers of decision. The Chairman is responsible for the operation and leadership of the board, ensuring its effectiveness and setting its agenda. The Chief Executive is responsible for leading and managing the group's business within a set of authorities delegated by the board and for the implementation of board strategy and policy.

Senior Independent Director

The purpose of this role is to act as a sounding board for the Chairman and to serve as an intermediary for other directors where necessary. The Senior Independent Director is also available to shareholders should a need arise to convey concerns to the board which they have been unable to convey through the Chairman or through the executive directors.

The non-executive directors

The non-executive directors, in addition to their responsibilities for strategy and business results, play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the board's decision-making. They each occupy, or have occupied, senior positions in industry which, taken together, cover a broad range of jurisdictions, bringing valuable external perspective to the board's deliberations through their experience and insight from different sectors and geographies. This enables them to contribute significantly to board decision-making, whilst the small size of the board is conducive to open and candid discussions. The formal letters of appointment of non-executive directors are available for inspection at the Company's registered office.

Re-election of directors

In accordance with the Code's recommendations, all directors currently in office will be proposed for re-election at the 2019 AGM to be held in December.

Board meetings

The board held eight meetings during the financial year. Periodically, board meetings are held away from the corporate centre in London. As part of the board's engagement with employees, the April meeting was held at the Primark Birmingham store, which included a tour of the store and meeting with employees. The May meeting was held at the Primark office in Dublin.

The attendance of the directors at board and committee meetings during the year is shown in the table below. If a director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business in advance of the relevant meeting and share these with the meeting so that they are able to contribute to the debate.

	Board	Audit committee	Nomination committee	Remuneration committee
Michael McLintock	8/8	–	1/1	8/8
George Weston	8/8	–	–	–
John Bason	8/8	–	–	–
Emma Adamo	8/8	–	–	–
Graham Allan	8/8	4/4	–	8/8
Ruth Cairnie	8/8	4/4	1/1	8/8
Wolfhart Hauser	8/8	4/4	1/1	8/8
Richard Reid	8/8	4/4	1/1	8/8
Javier Ferrán[1]	1/1	–	–	1/1

[1] Javier Ferrán retired from the board on 7 December 2018

All of the above attended those meetings that they were eligible to attend.

The work of the board during the year

During the financial year, key activities of the board included:

Strategy

- conducting regular strategy update sessions in board meetings;
- holding an annual 'away-day' focused on strategy; and
- receiving a strategy update from the Chief Executive and Director of Business Development.

Acquisitions/disposals

- approving the entry into a yeast and bakery ingredients joint venture with Wilmar International in China, subject to regulatory clearances;
- approving the acquisition of Anthony's Goods; and
- receiving regular updates on proposed acquisitions and disposals.

Financial and operational performance

- receiving regular reports to the board from the Chief Executive;
- receiving, on a rolling basis, senior management presentations from each of the group business areas;
- approving the group budget for the 2019/20 financial year;
- approving the Company's full year and interim results;
- recommending the 2018 final dividend and approving the 2019 interim dividend; and
- approving banking mandate updates and various other treasury-related matters.

Governance and risk

- annual review of the material financial and non-financial risks facing the group's businesses;
- scenario planning discussion of possible business effects of any political changes within the UK;
- half yearly review of progress in implementing actions arising from the 2018 board evaluation;
- participating in the 2019 annual board performance evaluation and considering the report received on the review;
- receiving regular updates on corporate governance and regulatory matters;
- receiving reports from the board committee chairs;
- confirming directors' independence and conflicts of interest;
- reviewing and approving gender pay reporting and Modern Slavery Statement; and
- undertaking appropriate preparations for the holding of the annual general meeting including considering and approving an 'outlook' statement and subsequently, discussing issues arising from the annual general meeting.

Corporate responsibility

- approving the enhanced reporting on responsibility;
- receiving regular management reports and an annual presentation on health, safety and environmental issues; and
- receiving updates on Primark ethical sourcing.

Investor relations and other stakeholder engagement

- receiving reports on investor relations activities and regular feedback on directors' meetings held with institutional investors; and
- receiving reports from the designated non-executive director for engagement with the workforce.

People

- appointment of Ruth Cairnie as Senior Independent Director;
- receiving a presentation on workforce engagement from the Group HR Director;
- appointment of Richard Reid as designated non-executive director for engagement with the workforce; and
- reviewing and approving share allocations for senior management and non-executive director/committee chair fees.

Senior executives below board level are invited, when appropriate, to attend board meetings and to make presentations on the results and strategies of their business units.

Papers for board and committee meetings are generally provided to directors a week in advance of the meetings.

Board committees

The board has established three principal board committees, to which it has delegated certain of its responsibilities. These are the Audit, Nomination and Remuneration committees. The membership, responsibilities and activities of these committees are described later in this Corporate governance report and, in the case of the Remuneration committee, in the Remuneration report which starts on page 83. Membership of these committees is reviewed annually. Minutes of committee meetings are made available to all directors on a timely basis.

The Chairs of the Audit, Nomination and Remuneration committees were present at the 2018 AGM and intend to be present at this year's AGM to answer questions on the work of their respective committees.

The written terms of reference for the Audit, Nomination and Remuneration committees are available on the Company's website, www.abf.co.uk, and hard copies are available on request.

Effectiveness

Board composition

At the date of this report, the board comprises the following directors:

Chairman
Michael McLintock

Executive directors
George Weston (Chief Executive)
John Bason (Finance Director)

Non-executive directors
Emma Adamo
Graham Allan
Ruth Cairnie
Wolfhart Hauser
Richard Reid

Board independence

Emma Adamo is not considered by the board to be independent in view of her relationship with Wittington Investments Limited, the Company's majority shareholder. She was appointed in December 2011 to represent this shareholding on the board of the Company. The board considers that the other non-executive directors are independent in character and judgement and that they are each free from any business or other relationships which would materially interfere with the exercise of their independent judgement.

The board considered Richard Reid's independence by reference to the relevant provisions of the UK Corporate Governance Code and concluded that he is independent notwithstanding his past relationship with KPMG, which was formerly the group's auditor. It has now been four years since KPMG ceased to be the Company's auditor in November 2015, following a competitive tender for the external audit. Richard was formerly a partner at KPMG, retiring from that role in September 2015. He had no personal engagement with any business within the Associated British Foods group during the four years prior to his appointment by the Company in April 2016.

As at the date of this report, the board comprises the Chairman, Chief Executive, Finance Director and five non-executive directors. Biographical and related information about the directors is set out on pages 68 and 69.

Appointments to the board

There is a formal and transparent procedure for the appointment of new directors to the board. Details are available in the Nomination committee report on page 77 which also provides details of the committee's activities.

Commitment

The letters of appointment for the Chairman and the non-executive directors set out the expected time commitment required of them and are available for inspection by any person during normal business hours at the Company's registered office and at the AGM. Other significant commitments of the Chairman and non-executive directors are disclosed on appointment and require approval thereafter.

Board development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new directors and the continuing development of directors.

Board induction

The Company provides all non-executive directors with a tailored and thorough programme of induction, which is facilitated by the Chairman and the Company Secretary and which takes account of prior experience and business perspectives and the committees on which he or she serves. Graham Allan, who joined the board in September 2018, met with senior management across the business as part of his induction. With the Chairman, he visited: AB Enzymes' site in Rajamaki, Finland; AB Vista in Marlborough; and Twinings in Andover. With Ruth Cairnie and members of the Primark Ethical team, Graham visited community projects, suppliers and factories in Coimbatore, India. Graham also visited: Primark's office in Dublin; Illovo Sugar in Durban, South Africa; and the Wissington sugar factory and Riverside Glasshouse, also visiting local sugar beet fields.

Training and development

The Chairman has overall responsibility for ensuring that the directors receive suitable training to enable them to carry out their duties and is supported in this by the Company Secretary. Directors are also encouraged personally to identify any additional training requirements that would assist them in carrying out their role. Training is provided in briefing papers, such as the regular update from the Company Secretary as part of the board pack ahead of each meeting covering developments in legal, regulatory and governance matters, and by way of presentations and meetings with senior executives or other external sources.

The Chief Executive encourages other board members to visit operations either with him, with other directors or on their own. During the year, Ruth Cairnie visited tea estates in Sri Lanka which supply tea to Twinings and two factories which supply products to Primark. Richard Reid, in his capacity of Chair of the Audit committee, regularly visits Primark in Dublin for meetings with finance and internal audit teams. The Chairman visited AB World Foods in Leigh, meeting with local management and getting an overview of the business. The Chairman and Chief Executive together visited: the Primark Gran Via store in Madrid, meeting with local and senior management teams; and Azucarera factories in La Baneza and Benavente, meeting with local senior management. The Chairman and Richard Reid each attended the ABF CEO conference and the Chairman also attended the Illovo Leadership Conference.

Information flow

The Company Secretary manages the provision of information to the board at appropriate times in consultation with the Chairman and Chief Executive. In addition to formal meetings, the Chairman and Chief Executive maintain regular contact with all directors. The Chairman holds informal meetings with non-executive directors, without any of the executives being present, to discuss issues affecting the group, when appropriate. Regular management updates are sent to directors to keep the non-executive directors informed of events throughout the group between board meetings and to ensure that they are advised of the latest issues affecting the group.

Board performance evaluation

An evaluation to assess the performance of the board as a whole, its committees and the individual directors is conducted annually with the aim of improving the effectiveness of the board and its members and the performance of the group.

Progress from 2018 evaluation

During the year, the Chairman oversaw the implementation and progression of various recommendations arising from the 2018 evaluation, which included the actions set out below:

Progress on 2018 objectives

People

The board has kept under review the board succession plan as well as succession to key roles within the broader group, both at the corporate centre and in the businesses.

In terms of engagement with the workforce, good progress has been made, with Richard Reid having been appointed as designated non-executive director for engagement with the workforce and having met with divisional CEOs to reinforce this process, as well as with HR directors. The board continues to discuss succession planning and workforce engagement in an open manner.

Corporate responsibility

Businesses have been required to include corporate responsibility priorities within their presentations to the board. A new format of responsibility report has been produced this year aimed at better promoting the work that has been done and is continuing to be done by the group.

Meeting processes

Following up on the recommendations from previous years, board members are generally content with the timing and content of board and committee papers which are provided through the online board pack system.

Board meetings are considered to be conducted with efficiency and in a manner which underwrites a collaborative yet appropriately challenging spirit.

2019 evaluation

This year the board undertook a further internal performance evaluation. The review was carried out during June and July of 2019 and was managed by Graham Allan, the most recently appointed independent non-executive director, with the assistance of the Head of Secretariat.

The 2019 review involved each board member as well as the Company Secretary, the CEO of UK Grocery, the Group HR Director, the Head of Reward and the Lead Audit Partner of our external auditor. Each individual met with Graham Allan and the Head of Secretariat to discuss various topics. A discussion framework had been sent to each of the participants in advance of the meeting to enable them to consider the topics before the meeting. The topics covered included the following:

- **The board (including Committee meetings) –** composition, tone and dynamics of meetings, rotation of topics, process for recruitment, diversity, skills and experience
- **Employees and organisation –** workforce engagement (bearing in mind the 2018 Code), succession planning, visibility of organisation strength
- **Responsibility/Environmental, Social and Governance (ESG) –** progress and communication of activities
- **Governance –** effectiveness of the board and committees, visibility and management of key risks, on-boarding, ongoing maintenance of skills, training
- **Individual directors** – effectiveness of the Chairman and Senior Independent Director (bearing in mind that they have only been in place for a relatively short period)

A written report was prepared and sent to board members in advance of the September board meeting. The recommended actions, listed below, arising from this year's evaluation are being implemented under the direction of the Chairman.

Priorities identified from the 2019 evaluation

Board composition

- To continue to emphasise generalist skills in board recruitment
- Gender and racial diversity to be factors in board searches

Workforce engagement and organisation

- To monitor and remain open to additional steps on workforce engagement
- To have more in-depth discussions about succession around the group as part of the annual board agenda
- Board directors to have oral briefings from the Group HR Director on specific succession issues on request and prior to any visits to businesses

Board/Committee agendas

- To ensure additional time on individual business unit strategy issues (if required)
- To ensure board members are fully briefed of key developments between board meetings

Responsibility/ESG

- To sustain momentum on progress and communication of activities

Governance

- To continue to monitor co-ordination of IT across divisions

Overall, it was concluded that the board and its committees were regarded as highly effective in providing oversight of the Company and its governance, as well as supporting appropriate growth plans. There was mutual trust between the executives and non-executives with a good balance of challenge and support. Each director was considered to be making a valuable contribution and demonstrating proper commitment, including time, to their respective roles.

Conflicts of interest procedure

The Company has procedures in place to deal with the situation where a director has a conflict of interest. As part of this process, the board:

- considers each conflict situation separately on its particular facts;
- considers the conflict situation in conjunction with the rest of the conflicted director's duties under the Companies Act 2006;
- keeps records and board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

Accountability

Financial and business reporting

The board recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators, and information required to be presented by statutory requests.

We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Company produced a paper in this respect, which was presented to the Audit committee.

Business model

A description of the Company's business model for sustainable growth is set out in the group business model and strategy section on pages 8 and 9 and in the business strategy sections of the operating review on pages 12 to 49. These sections provide an explanation of the basis on which the group generates value and preserves it over the long term and its strategy for delivering its objectives.

Going concern and viability

After making enquiries the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these annual financial statements. Accordingly, and consistent with the guidance contained in the document titled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the FRC in 2014, they continue to adopt the going concern basis in preparing the annual financial statements.

The Code requires the directors to assess and report on the prospects of the group over a longer period. This longer-term viability statement is set out on page 67.

Risk management and internal control

The board acknowledges its overall responsibility for monitoring the group's risk management and internal control systems to facilitate the identification, assessment and management of risk and the protection of shareholders' investments and the group's assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

The directors confirm that there is a process for identifying, evaluating and managing the risks faced by the group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report. They also confirm that they have regularly monitored the effectiveness of the risk management and internal control systems (which cover all material controls including financial, operational and compliance controls) utilising the review process set out below.

Standards

There are guidelines on the minimum group-wide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The board of each business is required to confirm twice yearly that it has complied with these policies and procedures.

High level controls

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at business unit level and centrally, with variances being reported promptly. The cash position at group and business level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures and delegated authority levels.

Financial reporting
Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the board. They include a comprehensive set of financial reports and key performance indicators covering commercial, operational, environmental and people issues. Performance against budgets and forecasts is discussed regularly at board meetings and at meetings between operational and group management. The adequacy and suitability of key performance indicators is reviewed regularly. All chief executives and finance directors of the group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Internal audit
The group's businesses employ internal auditors (both employees and resources provided by major accounting firms other than the firm involved in the audit of the group (except where expressly permitted by the Audit committee)) with skills and experience relevant to the operation of each business. All of the internal audit activities are co-ordinated centrally by the group's Director of Financial Control, who is accountable to the Audit committee.

All group businesses are required to comply with the group's financial control framework that sets out minimum control standards. A key function of the group's internal audit resources is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate. Internal audit also conducts regular reviews to ensure that risk management procedures and controls are observed. The Audit committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The committee reviews annually the adequacy, qualifications and experience of the group's internal audit resources and the nature and scope of internal audit activity in the overall context of the group's risk management system.

The group's Director of Financial Control meets with the Chair of the Audit committee as appropriate but at least quarterly, without the presence of executive management, and has direct access to the Chairman of the board.

Assessment of principal risks
The directors confirm that, during the year, the board has carried out a thorough assessment of the principal risks facing the group, including those that could threaten its business model, future performance, solvency or liquidity, together with emerging risks. A description of the principal risks and how they are being managed and mitigated is set out on pages 62 to 66.

Annual review of the effectiveness of the systems
During the year, the board reviewed the effectiveness of the group's systems of risk management and internal control processes embracing all material systems, including financial, operational and compliance controls, to ensure that they remain robust. The review covered the financial year to 14 September 2019 and the period to the date of approval of this annual report. The review included:

- the annual risk management review, a comprehensive process identifying the key external and operational risks facing the group and the controls and activities in place to mitigate them, the findings of which are discussed with each member of the board individually (refer to the risk management section on pages 62 to 66 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit committee, provided assurance to the board around the control environment and processes in place around the group, specifically those relating to internal financial control.

The board evaluated the effectiveness of management's processes for monitoring and reviewing risk management and internal control. No significant failings or weaknesses were identified by the review and the board is satisfied that, where areas of improvement were identified, processes are in place to ensure that remedial action is taken and progress monitored.

The board confirmed that it was satisfied that the systems and processes were functioning effectively and complied with the requirements of the 2016 Code.

Remuneration
A separate Remuneration report is set out on pages 83 to 106 which provides details of our remuneration policy and how it has been implemented, together with the activities of the Remuneration committee and proposed changes to the remuneration policy.

Articles of association and share capital
Information in relation to share capital, the appointment and powers of directors, the issue and buy back of shares and significant interests in share capital is set out in the Directors' report on pages 107 to 109.

Relations with shareholders
Individual shareholders
We have a number of individual shareholders. All are invited to the annual general meeting, have access to our website and receive electronic communications. We have a dedicated in-house team to manage communications with our shareholders, making sure we respond directly, as appropriate, to any matters regarding their shareholdings. We also have a dedicated team at Equiniti (our share registrar) which looks after their needs. To improve security and efficiency of communications and to reduce the amount of paper we use, our default method of communications with shareholders is e-communications. We also encourage the direct payment of dividends into bank or building society accounts.

Institutional shareholders
During the year, the board has maintained an active programme of engagement with institutional investors, the purpose of which is both to develop shareholders' understanding of the Company's strategy, operations and performance and to provide the board with an awareness of the views of significant shareholders. At each board meeting, the directors are briefed on shareholder meetings that have taken place and on feedback received, including any significant concerns raised.

Relations with shareholders continued

Here are some of the ways in which we engage with our shareholders:

Annual general meeting

The AGM provides an opportunity for directors to engage with shareholders, answer their questions and to meet them informally. The 2019 AGM will be held on Friday 6 December 2019 at 11.00 am at the Congress Centre in London. We encourage those who cannot attend to vote by proxy on all resolutions put forward. All votes are taken by a poll. In 2018, voting levels at the AGM were over 80% of the Company's issued share capital.

Annual report

We publish a full annual report and accounts each year which contains a strategic report, responsibility section, governance section and financial statements. The annual report is available in paper format and on our website: www.abf.co.uk.

Responsibility/ESG

We publish a responsibility report every three years with an update report each year in between. The Company Secretary acts as a focal point for communications on matters of corporate responsibility. During the year, the Company responded to requests for meetings, telephone meetings or written information from both existing and potential shareholders and research bodies on a broad range of environmental, social and governance risk matters including matters related to climate change, water and greenhouse gas risk management, supply chain management, animal welfare, sustainable agriculture, human rights, employee welfare, gender balance and human capital development.

Meetings

The Chairman issues an invitation each year to the Company's largest institutional shareholders to hear their views and discuss any issues or concerns. During the year, the Chairman held meetings with a number of institutional shareholders and discussed a range of topics including the Company's strategy and approach to governance and remuneration-related matters (taking into account proposed changes to the remuneration policy).

On the day of the announcement of the interim and final results, the Company's largest shareholders, together with financial analysts, are invited to a presentation with a question and answer session by the Chief Executive and Finance Director, with webcast presentations of the results available for all shareholders through the Company's website. Following the results, the executive team hold one-to-one and group meetings with institutional shareholders and potential investors. These views are then reported back to the board as a whole at the nearest following board meeting to ensure that they are aware of what the Company's largest shareholders are concerned with, or not as the case may be.

Press releases

We issue press releases for all substantive news relating to Associated British Foods. You can find these on our website: www.abf.co.uk.

Results announcements

We release a full set of financial and operational results at the interim and full year stage. We release trading statements at the first and third quarter stages with reduced disclosure, whilst still providing sufficient detail to allow investors to model and value our business.

Website (www.abf.co.uk)

Our website is regularly updated and contains a comprehensive range of information on our Company. There is a section dedicated to investors which includes our investor calendar, financial results, presentations, press releases and contact details. The area dedicated to individual shareholders is an essential communication method. It includes information on shareholder news, administrative services and contact information.

Board committees

Nomination committee report

Members

At the date of this report, the following are members of the committee:

Michael McLintock (Chair)
Ruth Cairnie
Richard Reid
Wolfhart Hauser

All members served on the committee throughout the year.

Meetings

The committee met once during the year under review.

Primary responsibilities

In accordance with its terms of reference, the Nomination committee's primary responsibilities include:

- leading the process for board appointments and making recommendations to the board;
- regularly reviewing the board structure, size and composition (including skills, knowledge, independence, experience and diversity), recommending any necessary changes;
- considering plans for orderly succession for appointments to the board and to senior management to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshment of the board;
- keeping under review the leadership needs of the group, both executive and non-executive, to ensure the organisation competes efficiently in the marketplace; and
- being responsible for identifying and nominating, for the approval of the board, candidates to fill board vacancies as and when they arise.

Corporate governance

Committee activities during the year

Succession planning

Given the relatively recent changes to the board with the appointment of the current Chairman in April 2018, the appointment of Graham Allan as a new independent non-executive director in September 2018 and the appointment of Ruth Cairnie as Senior Independent Director in late 2018, the focus this year has been on consolidating existing board responsibilities. Priorities identified for 2019 include continuing to emphasise generalist skills in board recruitment and continuing to factor in gender and racial diversity.

As noted in last year's report, the Company engaged Spencer Stuart, an external executive search and leadership consulting firm and a signatory to the 'Voluntary Code of Conduct for Executive Search Firms' on gender diversity and best practice, to help identify potential candidates as part of a process of progressive refreshment of the board. That process resulted in Graham Allan joining the board with effect from 5 September 2018. In March 2019, the Chairman joined the advisory board of Spencer Stuart. Spencer Stuart is otherwise independent of the Company.

Re-election of non-executive directors

The committee members reviewed the results of the annual board performance evaluation that related to the composition of the board and the time needed to fulfil the roles of Chairman, Senior Independent Director and non-executive director. Wolfhart Hauser, independent non-executive director of the Company, stepped down from the role of Chair of FirstGroup plc with effect from 25 July 2019. Ruth Cairnie, Senior Independent Director of the Company, was appointed Chair of Babcock International Group PLC in July 2019. Ruth stepped down from the board of ContourGlobal plc with effect from 30 September 2019 and it has also been announced that Ruth will be stepping down from the board of Rolls-Royce Holdings plc on 31 December 2019.

The committee members considered the re-election of directors prior to their recommended approval by shareholders at the annual general meeting.

Performance evaluation

The committee's effectiveness was reviewed as part of the board's performance evaluation process which was carried out during June and July of 2019. This evaluation concluded that the committee was continuing to function effectively.

Governance

Members of the Nomination committee are appointed by the board from amongst the directors of the Company, in consultation with the Chairman. The committee comprises a minimum of three members at any time, a majority of whom are independent non-executive directors. A quorum consists of two members being either two independent non-executive directors or one independent non-executive director and the Chairman.

Only members of the committee have the right to attend committee meetings. Other individuals such as the Chief Executive, members of senior management, Group HR Director and external advisers may be invited to attend meetings as and when appropriate.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee Chair reports the outcome of meetings to the board.

The terms of reference of the Nomination committee are available on the Investors section of the Company's website: www.abf.co.uk.

Board appointments process

The process for making new appointments is led by the Chair. Where appropriate, external, independent consultants are engaged to conduct a search for potential candidates, who are considered on the basis of their skills, experience and fit with the existing members of the board. The Nomination committee has procedures for appointing a non-executive or an executive director and these are set out in its terms of reference.

Diversity

As a board, we recognise that diversity is important for introducing different perspectives into board debate and decision-making and that this is a wider issue than just gender and ethnicity. We believe that members of the board should collectively possess a diverse range of skills, expertise, industry knowledge, business and other experience necessary for the effective oversight of the group.

Accordingly, the board has decided not to set any measurable objectives in relation to diversity. The Nomination committee considers diversity as one of many factors when recommending new appointments to the board, although gender and ethnicity remain important factors and are a factor in searches for new candidates, as identified in our priorities for 2019. It continues to be our policy to ask any executive search agencies engaged to ensure that half of the candidates they put forward for consideration are women.

We recognise that our approach of not setting a target, but instead focussing on initiatives to achieve no barriers to talent, means that we are unlikely to meet the 2020 expectations of the Hampton-Alexander Review. However, we believe that our approach is right for the decentralised structure of our broader business and will continue to deliver a strong, stable and increasingly balanced senior team.

For details of diversity as it applies to the group's wider workforce, please see pages 56 and 57.

Audit committee report

Members

During the year and as at the date of this report, members and Chair of the committee have been as follows:

Richard Reid (Chair)
Graham Allan
Ruth Cairnie
Wolfhart Hauser

Primary responsibilities

In accordance with its terms of reference, the Audit committee's primary responsibilities include:

Financial reporting

- monitoring the integrity of the group's financial statements and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgements contained in them before their submission to the board;
- informing the board of the outcome of the group's external audit and explaining how it contributed to the integrity of financial reporting;
- reviewing and challenging, where necessary, the consistency of, and changes to, accounting and treasury policies; whether the group has followed appropriate accounting policies and made appropriate estimates and judgements; the clarity and completeness of disclosure; significant adjustments resulting from the audit; the going concern assumption, the viability statement, and compliance with accounting standards;

Narrative reporting

- at the board's request, reviewing the content of the annual report and accounts and advising the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- where requested by the board, assisting in relation to the board's assessment of the principal risks facing the Company and the prospects of the Company for the purposes of disclosures required in the annual report and accounts;

Internal financial controls

- reviewing the effectiveness of the group's internal financial controls, including the policies and overall process for assessing established systems of internal financial control and timeliness and effectiveness of corrective action taken by management;

Whistleblowing and fraud

- overseeing the group's policies, procedures and controls for preventing bribery, identifying money laundering, and the group's arrangements for whistleblowing;

Internal audit

- monitoring and reviewing the effectiveness and independence of the group's internal audit function in the context of the group's overall financial risk management system;
- considering and approving the remit of the internal audit function, ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively; and

External audit

- overseeing the relationship with the group's external auditor, including reporting to the board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services.

Governance

The Audit committee comprises a minimum of three members, all of whom are independent non-executive directors of the Company. Two members constitute a quorum.

The committee Chair fulfilled the requirement that there must be at least one member with recent and relevant financial experience and competence in accounting or auditing (or both) during the year. In addition, the committee as a whole has competence in the sectors in which the Company operates. All committee members are expected to be financially literate and to have an understanding of the following areas:

- the principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Company's operations including corporate policies and the group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the group's businesses.

The committee as a whole has competence relevant to the sectors in which the group operates.

The committee invites the Group Finance Director, Group Financial Controller, Director of Financial Control and senior representatives of the external auditor to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the committee to discharge its duties.

During the year, the committee held four meetings with the external auditor without any executive members of the board being present.

The committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditor.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee Chairman reports the outcome of meetings to the board.

The committee's effectiveness was reviewed during the second half of the year as part of the board's annual performance evaluation. A description of how the evaluation was conducted is set out on page 74 of the corporate governance report.

The terms of reference of the Audit committee can be viewed on the Investors section of the Company's website: www.abf.co.uk.

Meetings

The Audit committee met four times during the year. The committee's agenda is linked to events in the group's financial calendar.

Activities during the year

In order to fulfil its terms of reference, the Audit committee receives and reviews presentations and reports from the group's senior management, consulting as necessary with the external auditor.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Audit committee.

During the year it formally reviewed the group's interim and annual reports. These reviews considered:

- the description of performance in the annual report to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the group's financial statements, any proposed changes to them, and the adequacy of their disclosure. This included preparation for the adoption of IFRS 16 *Leases* from the next financial year and the disclosures in this year's interim and annual reports;
- important accounting issues or areas of complexity, the actions, estimates and judgements of management in relation to financial reporting and in particular the assumptions underlying the going concern and viability statements;
- any significant adjustments to financial reporting arising from the audit; and
- tax contingencies, compliance with statutory tax obligations and the group's tax policy.

Significant accounting issues considered by the Audit committee in relation to the group's financial statements

A key responsibility of the committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The committee has, with support from Ernst & Young LLP ('EY') as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

Set out below are the significant areas of accounting judgement or management estimation and a description of how the committee concluded that such judgements and estimates were appropriate. These are divided between those that could have a material impact on the financial statements and those that are less likely to have a material impact but nevertheless, by their nature, required a degree of estimation.

Areas of significant accounting judgement and estimation material to the group financial statements	Audit committee assurance
Impairment of goodwill, intangible and tangible assets Assessment for impairment involves comparing the book value of an asset with its recoverable amount, being the higher of value in use and fair value less costs to sell. Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.	The committee considered the reasonableness of cash flow projections which were based on the most recent budget approved by the board and reflected management's expectations of sales growth, operating costs and margins based on past experience and external sources of information. Long-term growth rates for periods not covered by the annual budget were challenged to ensure they were appropriate for the products, industries and countries in which the relevant cash generating units operate. The committee also reviewed and challenged the key assumptions made in deriving these projections: discount rates, growth rates, and expected changes in production and sales volumes, selling prices and direct costs. The committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Refer to notes 8 and 9 to the financial statements for more details of these assumptions. The committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable. The external auditor undertook an independent audit of the estimate of value in use and fair value less costs to sell, including a challenge of management's underlying cash flow projections, long-term growth assumptions and discount rates. On the basis of their audit work, and their challenge of the key assumptions and associated sensitivities, they considered that the £65m impairment charge to the tangible fixed assets of Allied Bakeries was appropriately recognised and that no further impairments were required.
Tax provisions The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world and the ability of the group to use tax losses within the time limits imposed by the various tax authorities. See also reference to taxation on page 51.	The committee reviews the Company's tax policy and principles for managing tax risks annually. The committee reviewed and challenged the provisions recorded and the contingent liabilities disclosed at the balance sheet date and management confirmed that they represent their best estimate of the financial exposure faced by the group. The external auditor explained to the committee the work they had conducted during the year, including how their audit procedures were focused on those provisions requiring the highest degree of judgement. The committee discussed with both management and the external auditor the key judgements which had been made. It was satisfied that the judgements were reasonable and that, accordingly, the provision amounts recorded were appropriate.

Areas of significant accounting judgement and estimation material to the group financial statements	Audit committee assurance
Leases The group will adopt IFRS 16 *Leases* from the next financial year and the effects of transition to this new accounting standard are set out in the Significant Accounting Policies. Judgement is required in determining the term of each lease, the discount rate used to value the lease liabilities and right-of-use assets disclosed and in identifying lease arrangements under the scope of IFRS 16.	The committee received updates from management outlining the effect of the new standard, including the judgements and key assumptions used in the estimation of the impact. The committee reviewed the judgement applied in identifying lease arrangements and the reasonableness of lease terms determined by management including their assessments of options to terminate and extend leases. The committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the incremental borrowing rate for each of the group's subsidiaries in respect of their lease commitments. The external auditor undertook an assessment of management's assumptions, using independent experts, and considered that the transition disclosure in respect of the adoption of IFRS 16 from the next financial year was appropriate.
Other accounting areas requiring management judgement or estimation	**Audit committee assurance**
Post-retirement benefits Valuation of the group's pension schemes and post-retirement medical benefit schemes require various subjective judgements to be made including mortality assumptions, discount rates, general and salary inflation, and the rate of increase for pensions in payment and those in deferment.	Actuarial valuations of the group's pension scheme obligations are undertaken every three years by independent qualified actuaries who also provide advice to management on the assumptions to be used in preparing the accounting valuations each year. Details of the assumptions made in the current and previous year are disclosed in note 11 of the financial statements together with the bases on which those assumptions have been made. The committee reviewed the assumptions by comparison with externally derived data and also considered the adequacy of disclosures in respect of the sensitivity of the surplus or deficit to changes in these key assumptions.

Misstatements

Management reported to the committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the committee the misstatements that they had found in the course of their work. After due consideration the committee concurred with management that these misstatements were not material and that no adjustments were required.

Internal financial control and risk management

The committee is required to assist the board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the group's compliance with the UK Corporate Governance Code. To fulfil these duties, the committee reviewed:

- the external auditors' management letters and their Audit committee reports;
- internal audit reports on key audit areas and any significant deficiencies in the financial control environment;
- reports on the systems of internal financial control and risk management;
- internal audit's evaluation of the group's readiness for a 'no deal' Brexit;
- an assessment of business continuity plans in place in the group's businesses;
- reports on fraud perpetrated against the group;
- the group's approach to anti-bribery and corruption, and whistleblowing;
- the group's approach to IT and cybersecurity; and
- reports on significant systems implementations.

Internal audit

The Audit committee is required to assist the board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans.

To fulfil its duties, the committee reviewed:

- internal audit's reporting lines and access to the committee and all members of the board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution; and
- changes in internal audit personnel to ensure appropriate resourcing, skills and experience are put in place.

The Chair of the committee met with the Director of Financial Control regularly during the year to monitor the effectiveness of the internal audit function, receiving updates on audit progress and statistics on outstanding issues.

Whistleblowing and fraud

The group's Whistleblowing Policy contains arrangements for an independent external service provider to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit committee as appropriate. The Audit committee reviewed reports from internal audit and the actions arising therefrom. Further details on the policy can be found on page 57.

The group's Anti-fraud Policy has been communicated to all employees and states that all employees have a responsibility for fraud prevention and detection. Any suspicion of fraud should be reported immediately and will be investigated vigorously. The Audit committee reviewed all instances of fraud perpetrated against the Company and the action taken by management both to pursue the perpetrators and to prevent recurrences.

External audit

Auditor independence

The Audit committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The committee's policy on the use of the external auditor to provide non-audit services is in accordance with applicable laws and takes into account the relevant ethical guidance for auditors. Any non-audit work to be undertaken by the auditor requires authorisation by the Group Finance Director and the Audit committee prior to its commencement. The committee also ensures that fees incurred, or to be incurred, for non-audit services, both individually and in aggregate, do not exceed any limits in applicable law and take into account the relevant ethical guidance for auditors.

The committee is required to approve the use of the external auditor to provide: accounting advice and training; corporate responsibility and other assurance services; financial due diligence in respect of acquisitions and disposals; and will consider other services when it is in the best interests of the Company to do so, provided they can be undertaken without jeopardising auditor independence. Tax services including tax compliance, tax planning and related implementation advice may not be undertaken by the external auditor except in very exceptional circumstances where specialist knowledge is required. The aggregate expenditure with the group auditor is reviewed by the Audit committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any partners, directors or senior managers hired directly from the external auditor must be pre-approved by the Group HR Director, and the Group Finance Director or Group Financial Controller, with the Chairman of the Audit committee being consulted as appropriate.

The Audit committee has formally reviewed the independence of the external auditor. EY has reported to the committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with their professional standards.

To fulfil its responsibility to ensure the independence of the external auditor, the Audit committee reviewed:

- a report from the external auditor describing arrangements to identify, report and manage any conflicts of interest, and policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and
- the extent of non-audit services provided by the external auditor.

The total fees paid to EY for the 52 weeks ended 14 September 2019 were £8.6m of which £0.8m related to non-audit work. Further details are provided in note 2 to the financial statements.

Auditor effectiveness

To assess the effectiveness of the external auditors, the committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses via questionnaires evaluating the performance of each assigned audit team, planning, challenge and interaction with the business; and
- a report on EY, as a firm, from the Audit Quality Review Team ('AQRT') of the Financial Reporting Council ('FRC').

The Audit committee holds private meetings with the external auditors after each committee meeting to review key issues within their sphere of interest and responsibility.

To fulfil its responsibility for oversight of the external audit process, the Audit committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- the overall work plan and fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

FRC Audit Quality Review of the Company's 2018 audit by EY

During the year, the Audit Quality Review Team from the FRC undertook a review of EY's audit of the Group's 2018 financial statements. At the time of writing the AQRT had yet to conclude this review. Indicative recommendations for improvement included impairment testing, including how EY evidenced they had challenged management's assumptions and evidenced their involvement in and oversight of the work of component audit teams.

The Audit committee discussed the indicative review findings with EY, reviewed EY's proposed actions to address these findings and is satisfied that these changes were implemented for the 2019 audit.

Auditor appointment

The Audit committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit committee.

The Company's current external auditor, EY, was first appointed at the Annual General Meeting in December 2015, with effect from 2016, following the conclusion of a competitive tender process. The Audit committee is satisfied with the auditor's effectiveness and independence and has recommended to the board that EY be reappointed as the Company's external auditor for 2019/20. The Company has no current retendering plans, but keeps such plans under review in light of the applicable legal and regulatory framework.

Compliance with the CMA Order

The Company confirms that, during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Remuneration report

Annual statement by the Remuneration committee Chair

In this section

The remuneration policy that applies to executive and non-executive directors
pages 91–96

How the policy, approved in 2016, was implemented in 2018/19
pages 97–104

How we expect to implement the remuneration policy in 2019/20
pages 104–106

The committee Chair's letter and the annual implementation report on directors' remuneration will be subject to an advisory vote at the 2019 AGM. The remuneration policy will be subject to a binding vote at the 2019 AGM.

2019 has been a busy year for the Remuneration committee as we have been reviewing our remuneration policy.

In this letter I have summarised the thinking behind our policy review and have set out the key features of the new policy we are proposing. More details, including the process we followed, are provided on the following pages. I then present our key decisions in implementing our current remuneration policy in 2018/19 and decisions so far regarding 2019/20. Further information on these topics can be found in the implementation report.

Executive remuneration policy review

In 2016 we introduced a number of important changes to our remuneration policy, including a new design of the Long Term Incentive Plan (LTIP) measures to reflect the strategy of holding a portfolio of diverse businesses and the very different nature of our Sugar business. On balance, we believe that our current policy works well. Nonetheless, we have used the opportunity of this policy review to take an even more fundamental look at the LTIP structure and its linkage to how we want to drive the businesses. The other main focus of our review has been the recent changes in the corporate governance environment.

As a result, the substantive changes that we are proposing to the policy are:

- a reduction in pension contribution rates for new executive directors to align with other UK employees;
- the introduction of a post-employment shareholding requirement; and
- a new approach to LTIP performance targets.

No change to the overall quantum of reward is proposed, as we remain mindful of the broader debate about executive pay and inequality in society.

Pension contributions

We welcome the new expectation for pension contributions for executives to be in line with those for the broader employee population, as raised by a number of investors and now reflected in the UK Corporate Governance Code. We believe this is the right thing to do and are proposing to align pension contributions or cash allowances for future directors with the wider UK workforce.

Fairness and taking a long-term view are key principles for us when running the business and when making remuneration decisions. Considering the contributions for our current executive directors, we believe that it is important to honour our contractual commitments as an organisation, and we are therefore not planning to make changes to their current pension arrangements as part of this year's remuneration policy review. This is consistent with the approach we took across our UK employee population when closing our defined benefit pension to new members, and when defined contribution rates were changed.

Shareholding requirements

We have a shareholding culture amongst our senior leadership team, driven by a sense of ownership of the business rather than shareholding rules. Our executive directors currently have shareholdings considerably above the minimum requirements set in our remuneration policy, as do many other senior executives. Reflecting the new corporate governance expectations, we are proposing to introduce a post-leaving holding requirement that demonstrates our commitment, and that of our executives, to good corporate governance and the long term.

LTIP – Context

The diverse businesses in our portfolio need to deliver different performance outcomes in order to support the overall strategy. In reviewing the design of our LTIP, we have sought to create a very strong linkage to these desired outcomes:

- incentivise growth in all our non-Sugar businesses; and
- ensure executives are focussed on delivering an acceptable return across the cycle from the Sugar business.

The LTIP should not reward executives if high sugar prices drive spikes in profitability. If shareholders benefit from increases in the share price driven by sugar price volatility, executives will share in this as a result of having significant shareholdings themselves.

LTIP – Performance measures

Group adjusted earnings per share (EPS) is an important performance measure for our growth businesses. However, it is not an appropriate measure for a cyclical business such as Sugar. We are therefore proposing that the first measure of performance in the LTIP is adjusted EPS growth in the non-Sugar businesses over the three-year performance period. This adjusted EPS measure is used in our current LTIP.

We believe executives should be accountable for the performance of their investment decisions. The second proposed measure is therefore a modifier, based on the three-year average adjusted return on capital employed (ROCE) in the non-Sugar businesses. This measure is a downward only modifier of up to 20% of the calculated incentive and is intended to act as a safety net by placing a focus on returns; the performance range is set accordingly.

The first and second measures described above for our new LTIP model form 60% of our current LTIP model and are familiar to our executives. Our new proposal is to introduce a third measure which is a further modifier that penalises executives if returns from the Sugar business are not acceptable. This measure is based on adjusted return on average capital employed in the Sugar business, with the book value of goodwill added to the denominator so that any investment in Sugar is reflected. The modifier may reduce the calculated incentive outcome by up to a further 20% of the previously calculated amount. The scale of this adjustment reflects the relative size of Sugar in the group portfolio.

In the 2019-22 LTIP cycle, the adjusted average Sugar return will be calculated over the three years of the LTIP performance period. For future cycles we will lengthen the averaging period to include past performance so that eventually the average is calculated over five or more years. This will reduce the impact of peaks and troughs in sugar price and reflects our position that this business must deliver an acceptable return to investors and generate cash over the sugar cycle. Our current focus is to drive Sugar returns up to acceptable levels, following a period of low sugar pricing caused by the European sugar regime change. We are therefore proposing that in the initial 2019-22 cycle, no adjustment be made if average returns are above 8% but that executives are penalised for lower returns, with the full reduction applying if average returns are at or below 5%. This takes into account the fact that our European sugar businesses may still be affected by the effects of regime change at the start of the performance period. A return at the bottom of this range is broadly in line with shareholder expectations for 2019/20. Executives will need to drive improved performance if they are to avoid the downwards modifier being applied to vesting in 2022.

Over time we would expect the bottom of the performance range to move up as we include more years in the averaging of returns and move beyond the impact of regime change. Furthermore, in our next policy review in 2022, we expect to determine whether the modifier could apply both upwards and downwards with a more stretching performance range.

We believe that this new approach is well aligned with our strategy and operating model and is in investors' interests. It addresses concerns we had heard from some shareholders, that the current model allows for part of the LTIP to be earned regardless of the Sugar performance. In the new model, all of the outcome includes the impact of Sugar.

I am delighted that when we consulted our largest shareholders, they were very supportive of our proposals.

Remuneration in 2018/19

LTIP 2016-19

This is the first vesting under the LTIP measures that we introduced in 2016.

For the 60% of the LTIP that is measured with the impact of Sugar removed, the performance outcome was 70.89% of maximum. Over the performance period the Retail, Grocery and Ingredients businesses performed well against a backdrop of Brexit uncertainty, consequent volatility in foreign exchange rates and a challenging environment on the high street.

For the 40% of the LTIP measured on adjusted group EPS and ROCE, the performance outcome was 61.68%. The performance of the non-Sugar businesses was as described above, while Sugar performance over the three years was impacted by reform of the European sugar regime and low world sugar prices.

This year we have recognised an impairment charge of £65m in respect of our UK bakeries following the loss of a key contract. This has been charged 'below the line' of adjusted operating profit and does not impact incentive outcomes.

Consistent with past practice however, we have used discretion to reduce the number of shares vesting for the small number of executives, including the executive directors, involved in the original investment decision to which the impairment relates. The reduction has been set at 15% of the pre-adjustment vesting amount.

Discretion has been applied to reduce the LTIP rather than the STIP as investment decisions are long-term, multi-year choices.

These LTIP awards were allocated at a share price of £26.25. Share prices have since fallen, so the committee has considered whether any adjustment to the vesting outcome should be considered. In some previous cycles our share price rose significantly while the number of shares vesting was low due to stretching EPS targets. In these cases, no adjustments were made to increase vesting and so for consistency of approach, no adjustment is being made this time. Our executive directors have very significant shareholdings so they have experienced the share price decline directly through its impact on their personal wealth.

We believe that the calculated vesting outcome, following the application of discretion as detailed above, is fair and in line with our tradition of reasonable and conservative levels of reward.

Short Term Incentive Plan (STIP) 2018/19

STIP targets for 2018/19 were set taking into account the projected substantial decline in profitability of the Sugar business driven by global and European prices. This reduction was offset by setting challenging growth targets for Retail and Grocery.

Achievement of the budget was seen as very challenging throughout the year, but the final profit outcome was a little ahead of budget, driven by the strong growth in Primark and our international grocery businesses. Primark performance was a result of better buying and lower mark-downs, leading to margins above expectations. In our international grocery businesses, we were delighted with new product development. Whilst at a much lower profit than the previous year, AB Sugar was marginally ahead of budget with tight cost control and strong measures taken in our Spanish business to reduce beet prices.

In light of the impairment taken at half year, as described above, the committee has applied discretion to adjust the STIP target upwards by the depreciation benefit in the second half arising from this impairment.

We also adjusted the STIP and LTIP ranges to take into consideration the accounting charge for Argentina hyperinflation that was included in reported numbers but not in the original performance targets. This adjustment made the targets no harder or easier to achieve than was originally intended.

Taking all of the above into account, the financial STIP outcome is 74.13% of maximum which the committee considers to be an appropriate reflection of performance in a challenging year.

Salaries

In December 2018, we did not increase the salaries of our executive directors.

Remuneration in 2019/20

LTIP 2019-22

Subject to our new remuneration policy being approved, we will make LTIP allocations for the 2019-22 performance period in December 2019 with performance subject to the proposed new performance measures.

IFRS 16

IFRS 16 will impact outcomes under the LTIP in 2020 and 2021 as the EPS and ROCE targets were set without the impact of this change to lease accounting being taken into account.

Incentive performance ranges will be adjusted to ensure that the LTIP outcomes remain no harder or easier to achieve than they would have been on the old accounting basis. The revised performance ranges will be disclosed in the 2020 Remuneration report.

STIP 2019/20

The personal performance element of the STIP will be modified to focus on in-year execution of multi-year priorities related to environmental, social and governance (ESG) measures/business health as well as to business performance. This change was welcomed by our shareholders in consultation.

Salaries

This year, with increases for our wider UK workforce typically in the range of 2%-3.5%, we have decided not to increase salaries for the executive directors. This reflects our conservative approach on remuneration.

The committee has chosen voluntarily to disclose our CEO pay ratio for 2018/19 on page 103.

Lastly, as you will see, we have taken this opportunity to review the format of this Remuneration report. We hope that the additional tables and narrative will add clarity for readers of the report.

Ruth Cairnie
Remuneration committee Chair

Remuneration report

Role of the Remuneration committee
The committee is responsible to the board for determining:

- the remuneration policy for the executive directors and the Chairman, considering remuneration trends across the Company;
- the specific terms and conditions of employment of each individual executive director;
- the overall policy for remuneration of the Chief Executive's first line reports;
- the design and monitoring of the operation of any Company share plans;
- stretching incentive targets for executive directors to encourage enhanced performance;
- an approach that fairly and responsibly rewards contribution to the Company's long-term success; and
- other provisions of the executive directors' service agreements and ensuring that contractual terms and payments made on termination are fair to the individual and the Company, and that failure is not rewarded and loss is mitigated.

The committee's remit is set out in detail in its terms of reference, which are reviewed regularly and were last updated in September 2015. They are available on request from the Company Secretary's office or at www.abf.co.uk/ investorrelations/corporate_governance.

The committee's terms of reference are being reviewed in late 2019 to ensure that they are compliant with latest corporate governance requirements and once approved will be available at the link above.

Members of the Remuneration committee
In the financial year and as at the date of this report, members and Chair of the committee have been as follows:

	Role on committee	Independence	Year of appointment	Meetings attended
Ruth Cairnie[1]	Chair	Senior Independent Director	2014	8
Javier Ferrán[1]	Member	Senior Independent Director	2006	1
Wolfhart Hauser	Member	Independent Director	2015	8
Richard Reid	Member	Independent Director	2016	8
Michael McLintock	Member	Chairman	2017	8
Graham Allan[2]	Member	Independent Director	2018	8

1 Javier Ferrán retired from the Board on 7 December 2018 and Ruth Cairnie was appointed Senior Independent Director from that date.
2 Graham Allan was appointed on 5 September 2018.

George Weston (Chief Executive), Des Pullen (Group HR Director) and Julie Withnall (Group Head of Reward) attend the meetings of the committee. No individual is present when their own remuneration is considered.

Remuneration principles
Our remuneration approach needs to enable us to attract and retain top executive talent to promote the strategic and financial performance of the business. The remuneration principles, shown below, remain unchanged, and have informed our decision-making in relation to the proposed changes to our remuneration policy.

Alignment, accountability and doing the right thing
Our board is accountable for ensuring that the portfolio that we operate is the right one to deliver optimal returns to shareholders and for ascertaining that the businesses are well run. Our remuneration policy aims to align executive rewards with shareholder value creation.

Line of sight
We aim to align remuneration and business objectives through performance measures to which individuals have line of sight.

Clarity and simplicity
We believe that executive pay should be clear and simple for participants to understand.

The best way to achieve this is through alignment with business performance.

Fairness
Total remuneration should fairly reflect the performance delivered and efforts made by executives.

Policy review
When reviewing our policy, the committee considered a wide range of options. At one extreme we considered whether a shift to a remuneration model focussed on fixed pay and long-term share awards without performance conditions could be a helpful simplification. We also looked at whether a price adjustment mechanism, such as those used in other commodity businesses, might be appropriate for the LTIP. The debate was thorough and robust, and we believe that the proposals set out in the committee Chair's statement and in the following disclosure represent the most appropriate solution for the business.

We operate a portfolio approach to our businesses, to which we remain committed. The role of the divisions in the portfolio is reviewed regularly. Since we put our current remuneration policy in place in 2016, the following important changes have taken place:

- our non-Sugar businesses have continued to grow;
- European regime reform has impacted performance in our Sugar division; and
- the overall shape of the group has changed with Primark becoming a relatively larger part of the whole and Sugar becoming relatively smaller (less than 20% of the whole).

With the changes in the European sugar regime, we have considered the role of AB Sugar in the portfolio and continue to believe that this business will deliver an acceptable return to investors and generate cash over the sugar cycle.

Recent history has reinforced the case for a bespoke approach to our remuneration package, reflecting the different nature of the Sugar business. In the early stages of this review we consulted several of our largest shareholders. Their feedback included:

- recognition of our conservative approach to incentive quantum and operation of discretion;
- support for our choice of metrics (adjusted operating profit, working capital, adjusted EPS and adjusted ROCE);
- recognition of the challenge of designing an LTIP for a diverse organisation;
- some challenge from a few of our shareholders on the current LTIP approach, particularly the fact that part excluded Sugar performance when, as investors, they can only invest in the business as a whole; and
- some support for the current approach of measuring LTIP performance partly based on the group as a whole and partly based on the group excluding Sugar.

Our workforce remuneration practices vary widely across the organisation. Each divisional chief executive is responsible to the Board for running his/her business well and reporting to the Board on how they engage the people in their businesses. Within our review we consulted the HR directors from our divisions as representatives of the employees in their areas of the organisation. We sought to understand views on the alignment of reward and culture in the organisation. Their feedback included:

- confirmation that our remuneration principles are right and resonate across our diverse portfolio of businesses;
- confirmation of the importance of pay for performance and of flexibility in reward models across the divisions to support different business models and market practices;
- confirmation of the importance of shares in long-term incentives to align our business leaders' interests with those of shareholders;
- support for our line of sight principle that ensures that targets are meaningful to participants; and
- confirmation that our approach to discretion and flexibility is well aligned with our culture and focuses on 'doing the right thing'.

In line with the UK Corporate Governance Code, the following factors, which align well with our principles, were also considered:

- clarity and simplicity – we believe that our new policy proposals provide transparency for executives and investors about what performance we are looking for across our portfolio;
- risk – we note the reputational and other risks that can result from excessive rewards and believe that our robust target-setting and long history of applying discretion to calculated outcomes reflects this. Over the years, we have applied discretion occasionally to increase incentive outcomes when the situation merits it (as we did in 2017) as well as to decrease payments (as we are doing this year);
- predictability and proportionality – we believe that the link between individual awards, the delivery of strategy and the long-term performance of the company is clearly explained in this report and that our approach ensures proportionate pay outcomes that do not reward poor performance; and
- alignment to culture – we want our executives to make decisions for the long-term performance and health of the business. This informs our approach to target setting, operation of discretion and personal performance measures.

Proposed changes to Directors' Remuneration Policy and to Shareholding Requirements

	Revised policy	Rationale
Fixed Pay Pension	No changes to pension provision for incumbent executives, whose current arrangements reflect market practice and pensions practice elsewhere in the group at the time that their employment contracts were put in place. Pension contributions and/or cash allowance for new executive directors aligned with contribution rates at the time of appointment for other UK-based employees. This would currently cap company contributions at 10% of salary.	The group has a wide variety of pension arrangements and a strong history of honouring commitments we make to individuals at appointment. For example, our defined benefit (DB) pension scheme remains open to future accrual for members that joined the group before it closed. We believe it is right to honour the pensions offered to incumbent executive directors when they signed their employment contracts. We recognise that going forward it is right for the rate of pension contribution for new joiners at the top of the organisation to align with what is offered to our wider UK population.
Variable Pay LTIP – Up to 200% of salary	Conditional share awards with performance measured on: • 200% of salary – Group EPS with the impact of Sugar removed • Modified 80%-100% – by Group ROCE with the impact of Sugar removed • Modified a further 80%-100% – by Sugar ROCE with the book value of goodwill added to the denominator	We felt that the LTIP structure and performance measures could be improved to create an even stronger alignment with our strategy and performance drivers. The reasoning is detailed in the committee Chair's statement. We have not changed the LTIP quantum, the requirement for executive directors to hold net vested LTIP shares for two years from the vesting date or the scope of discretion available to the Committee.
Shareholding requirement – 250% of salary (beneficially-owned)	Conditional awards do not count. Shares that have vested and are subject to a holding period do count. At least 50% of net shares vested under STIP and LTIP must be held until the shareholding requirement is met. Executive directors will be required to retain, for two years post leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement or their actual shareholding on departure.	Both of our current executives have holdings considerably in excess of our required holding level. This reflects the culture of the group and the commitment of our leaders to the long-term stewardship of the business. In light of this, we have not increased the level of holding required of our executives. Recognising corporate governance requirements, we have introduced a post-departure holding requirement that is in line with Investment Association (IA) guidance.

Further investor feedback

Further to our initial shareholder discussions, we engaged with a broader group of shareholders and with proxy agencies to seek their feedback on the revised remuneration policy outlined above. We have listened closely to their feedback, which is summarised below.

- There was recognition that we had listened to shareholder concerns and thought about how to make the LTIP targets meaningful. The strong consensus was that the new approach is better than the current model which was already an improvement on the pre-2016 approach.
- There was appreciation for the proposed pension changes for new joiners. The feedback on our approach for existing executives was mixed. Most investors recognised that unlike many organisations we have a strong track record of honouring our pensions commitments, as detailed in the table above, and that this integrity is part of our culture and is important to us. We appreciated the supportive yet challenging approach from our investors and will keep this matter under consideration.
- There was also appreciation for our decision to adopt the IA guidelines in relation to post-employment shareholding. Some of our investors challenged the current level of shareholding requirement for our executives. We have discussed this feedback as a committee. As an organisation we are driven by values and principles. Many of our executives have shareholdings that are in excess of any requirement because they want to invest in the Company, share in its success and demonstrate their commitment to the organisation. We view this as a strength. We feel that the current level of holding requirement remains appropriate and we are confident that our long-serving executives will continue to show their commitment to the Company by holding shares. As we know that this is an area of concern for investors, we will keep this position under review.
- In addition to these policy changes, we consulted investors on a proposed change of focus for the personal performance element of STIP to encompass both drivers of long-term business performance and business health. This approach was supported by investors.

Remuneration structures at a glance

The table below outlines the remuneration structure that will apply in 2019/20, subject to approval of the new remuneration policy.

Remuneration element	Purpose	Proposed implementation in 2019/20 (subject to approval of new remuneration policy)
Fixed Pay		
Base salary	Provides core reward for the role. Enables the Company to attract and retain executives of the calibre required to deliver our strategy.	In December 2019, salaries will not be increased.
Pension	Provides a competitive retirement benefit.	George Weston will accrue benefits under the Company's DB scheme and/or EFRBS. John Bason will have a pension allowance of 25% of salary.
Benefits	Provides a competitive and cost-effective benefits package appropriate to the role.	No changes to benefits offered are anticipated in the year.
Variable Pay		
STIP – Up to 200% of salary in cash and shares	Encourages and rewards attainment of challenging performance targets over a one-year period. Shares element facilitates operation of malus and clawback, aligns the interests of executives and shareholders and promotes executive retention.	Up to 20% of salary in cash based on personal performance objectives linked to key long-term business performance and business health goals. Up to 180% of salary based on financial performance (currently adjusted operating profit with a working capital multiplier), up to 130% of salary in cash and up to 50% of salary in shares.
LTIP – Up to 200% of salary	Rewards long-term business growth, facilitates the operation of malus and clawback, aligns the interests of executives and shareholders and promotes executive retention.	Conditional share awards will be allocated on or after 9 December using the new performance measures, subject to the policy being approved. • The LTIP targets for 2019–22 are shown on page 105. • A two-year post-vesting holding period applies to net of tax shares.
Shareholding requirement	To demonstrate commitment to the Company's success and align executives' and shareholders' interests.	A shareholding requirement of 250% of salary, as detailed on the previous page.
Fees for non-executive directors and the Chairman	To attract and retain a high-calibre Chairman and non-executives by providing a competitive core reward for the role.	In December 2019, the fees will remain unchanged.

Illustration of incentive model

The chart below shows the approach that we are planning to apply to incentives in 2019/20, subject to shareholder approval of our new remuneration policy.

	Performance measures	% of base	Incentives performance and release timing: 2019/20	2020/21	2021/22	2022/23	2023/24	
Personal STIP	Objectives	20%	Performance	Cash payment (subject to malus and clawback)				
Financial STIP	Adjusted operating profit x working capital modifier	130%	Performance	Cash payment (subject to malus and clawback)				
		50%	Performance	Deferral		Paid in shares. Release of shares (subject to malus and clawback)		
			Absolute TSR alignment on shares – granted at start of performance period					
LTIP	Adjusted EPS excluding Sugar x moderator based on three-year average ROCE excluding Sugar x moderator based on three-year average Sugar returns	200%	Performance Vests at end of year three			Holding		Release of shares (subject to malus and clawback)
			Absolute TSR alignment on shares – granted at start of performance period					
Shareholding requirement		250%	Absolute TSR alignment					

Remuneration policy for executive directors

This report sets out our remuneration policy which will apply, subject to approval, from the close of the AGM on 6 December 2019. For unvested share awards only, the provisions of the remuneration policy presented in the 2016 Remuneration report will continue to apply until such time as all long-term incentive awards granted under that policy have vested or lapsed.

	Operation and link to business strategy	Maximum opportunity
Base salary (100% cash)	Base salaries are normally reviewed on an annual basis. Factors taken into account include market pay movements, the level of increases awarded to UK employees across the group and the impact of any increase on the total remuneration package. If there is a significant change in role scope, remuneration will be adjusted to reflect this.	Increases will be aligned with the range of increases available for other UK employees.
Benefits (excluding relocation)	Benefits are restricted to typical UK market levels for executive directors and include, but are not limited to, death in service payment, permanent health insurance, company car plus private fuel, family healthcare and, where relevant, fees to maintain professional memberships.	The cost of benefits is capped at 10% of salary.
Pension	Defined benefit (DB) pension arrangements – closed to new members The current executive directors were members of the Company's DB pension scheme. The scheme is designed to provide retirement benefits of around two-thirds of final pensionable pay at age 65. Both executive directors opted out of the scheme on 5 April 2006 but retain their accrued benefits. Since then the Chief Executive has earned benefits in an EFRBS. The Finance Director accrued benefits in an EFRBS until April 2019. The EFRBS is designed broadly to mirror the DB scheme. Defined contribution pension arrangements/cash alternative Since April 2019 the Finance Director has received a cash pension allowance of 25% of salary, in lieu of a DC contribution. Future executive directors, who are not already entitled to DB pension arrangements at the time of appointment, will benefit from a defined contribution arrangement. Where a UK-based pension arrangement is not possible, or is not tax-efficient, a cash supplement equivalent to the normal pension contribution may be paid in lieu of pension contributions.	For the Chief Executive, a retirement benefit target of circa two-thirds of final pensionable pay is payable at normal retirement age. For the Finance Director the maximum company contribution (or cash equivalent) is 25% of salary. Future executives may receive Company contributions (or cash equivalent) up to a maximum rate aligned to that for other employees, currently 10% of base salary.
Short term incentive plan (STIP)	Performance measures and target-setting Group financial performance targets can apply to up to the full amount of the STIP and are assessed against prime financial and strategic measures used across the group to drive performance. Personal performance measures can apply to up to 20% of the STIP and are based on personal targets aligned to key business health and business performance goals. The on-target performance level is set at the start of each financial year considering budgeted performance and any early re-forecasts. A range is set around the target to incentivise delivery of stretching performance. Annual allocations of conditional shares vest based on performance in year one and a further service period of two years. Shares vest three years after the start of the relevant STIP performance period. A cash or shares dividend equivalent payment is made, pro rata to the number of shares vesting, at the release date.	STIP cash of 150% of base salary and STIP shares of 50% of base salary. In exceptional circumstances, such as the appointment of a new Chief Executive, this could be increased to 300% of base salary to correct any shortfall against market. Any increase would consider adjustments in other elements of the package to ensure that the total was not excessive. At maximum, 100% of the allocated shares vest; at target 50% vest; at threshold 10% vest; and below threshold awards lapse.

<table>
<tr><th></th><th>Operation and link to business strategy</th><th>Maximum opportunity</th></tr>
<tr><td>Short term incentive plan (STIP) continued</td><td>Retrospective disclosure of targets
Achievement against targets will be disclosed at the end of the financial year in that year's Remuneration report and further detail, including the performance range that applied to financial targets, will be disclosed one year later.

Discretion, clawback and malus
Please refer to the notes that follow this table.</td><td></td></tr>
<tr><td>Long term incentive plan (LTIP)</td><td>Growth in adjusted EPS with the adjusted operating profit, tax and interest of Sugar removed.

The calculated outcome may then be moderated downwards to reflect average ROCE performance over three years with the profit and average capital employed of Sugar removed.

The calculated outcome may then be further moderated downwards to reflect average Sugar ROCE performance with the book value of goodwill added to the denominator over three or more years.

These measures reflect our strategy and feedback from investors. They are well understood both by participants and shareholders.

Targets are set for each allocation, taking into account the shape of the portfolio, market expectations and internal forecasts for the next few years, and the scale of investments made.

Vesting period
Annual allocations of conditional shares will be free of restrictions after a five-year period, comprising a three-year performance period and a two-year holding period for the net of tax award.

Discretion, clawback and malus
Please refer to the notes that follow this table.

Dividend equivalents
A cash or shares dividend equivalent payment will be made, pro rata to the number of shares vesting, at the release date.</td><td>200% of base salary at allocation.

In exceptional circumstances, such as the appointment of a new Chief Executive, this could be increased to 300% of base salary to correct any shortfall against market. Any increase would consider adjustments in other elements of the package to ensure that the total was not excessive.

At maximum, 100% of the allocated shares vest; at target 50% vest; at threshold 10% vest; and below threshold awards lapse.</td></tr>
<tr><td>Shareholding requirement</td><td>Executives are required to build a holding of beneficially owned shares in the company.

Conditional awards under our incentive plans do not count towards this limit.

Shares that have vested and are subject to a holding period do count.

At least 50% of net shares vested under STIP and LTIP must be held until the shareholding requirement is met.</td><td>During employment
250% of salary to be held in the form of shares.

Post-employment
Executive directors will be required to retain, for two years post leaving the Company, a holding of shares at a level equal to the lower of the shareholding requirement or their actual shareholding on departure.</td></tr>
<tr><td>Non-executive directors' fees</td><td colspan="2">The Chairman and executive directors review non-executive directors' fees in light of fees payable in comparable companies and by reference to the time commitment, responsibility and technical skills required to make a valuable contribution to an effective board. Fees are paid in cash on a quarterly basis except for the Chairman whose fee is paid monthly and are not varied for the number of days worked. Non-executive directors receive no other benefits and take no part in any discussion concerning their own fees.

We pay additional fees to reflect extra duties and time commitments, including to the Senior Independent Director, committee Chairs and individuals taking on other projects and responsibilities at the request of the Company. As the Chair of the Nomination committee is currently the Company Chairman, no fee is paid for this role at present.

Chairman
The Remuneration committee reviews the Chairman's fees. No other benefits are paid to the Chairman.

Shareholding
We encourage our non-executive directors to build up a shareholding of at least 100% of their annual fee.

Expenses
We reimburse reasonable expenses incurred in travelling on behalf of the business. As HMRC regards travel to the head office as a benefit in kind, we pay any tax due on such expenses on a grossed-up basis.</td></tr>
</table>

Notes to the remuneration policy table

Malus and clawback

The committee may, at any time within two years of an LTIP vesting or STIP being paid, determine that clawback shall apply if the committee determines that performance outcomes were misstated or an erroneous calculation was made in assessing the extent to which performance targets were met. LTIP and STIP payments can be clawed back if the participant is found at any time prior to vesting/payment, including prior to grant, to have committed an act or omission which, in the opinion of the committee, would have justified summary dismissal.

As a condition of participating in the STIP and LTIP, all participants are required to agree that the committee may cause any STIP or LTIP award in which they participate to lapse (in whole or in part); and/or operate clawback under any LTIP or STIP in which they participate; and/or reduce any amounts otherwise payable to them; and/or require the participant immediately to transfer shares or cash back to the Company.

Discretion

The committee will apply discretion, where necessary and by exception, to ensure that there are no unintended consequences from the operation of the remuneration policy. The committee applies a robust set of principles to ensure that incentive outcomes are consistent with business performance and aligned with shareholder interests. Any material exercises of discretion by the committee in relation to the STIP and LTIP will be in line with scheme rules, or other applicable contractual documentation, and will be fully disclosed and explained in the relevant year's annual implementation report.

Approach to recruitment remuneration

Area	Policy and operation
Overall	As we may need to recruit future executive directors from outside the UK or from companies with more aggressive incentive policies than our own, the arrangements below are intended to provide the necessary flexibility to recruit the right individuals. For internal appointments, awards in respect of the prior role may be allowed to vest according to the terms of the scheme, adjusted as relevant to take account of the new appointment. In addition, ongoing prior remuneration obligations may continue. The rationale for the package offered will be explained in the subsequent annual implementation report. We apply the same policy for new joiners as for existing executive directors.
Base salary	Base salary would be set at an appropriate level to recruit the best candidate, based on their skills, experience and current remuneration, taking into account market data and internal salary relativities.
Relocation	If a new executive director needs to relocate, the Company may pay: • actual relocation costs and other reasonable expenses relating to moving house, including temporary accommodation if required; • disturbance allowance of up to 5% of salary, some of which may be tax-free for qualifying expenditure; • school fees for dependent children where there are cultural or language considerations; • medical costs for the overseas family, where relevant; • one business class return fare per annum each for the executive, his/her partner and dependent children in order to maintain family or other links where an executive is recruited from outside the UK; • reasonable fees and taxes for buying and/or selling a family home and/or appropriate rental costs; • reasonable fees for consultancy advice related to relocation, including, but not limited to, school/home finding advice and support with tax returns as required; • tax equalisation costs for an agreed period; and • any tax due, grossed up, on any relocation-related payments listed above.
Buy-out awards	In addition to normal incentive awards, buy-out awards may be made to reflect value forfeited through an individual leaving their current employer. If required, the committee would aim to reflect the nature, timing and value of awards foregone in any replacement award, taking into account the performance conditions achieved/likely to be achieved and the proportion remaining of the performance period. Awards may be made in cash or shares. In establishing the appropriate value of any buy-out, the committee would also have regard to the value of the other elements of the new remuneration package. The committee would aim to minimise the cost to the Company, however, buy-out awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced. Where possible, we would specify that at least 50% of any vested buy-out awards should be retained until the shareholding requirement is met.
Other elements	Benefits, pension, STIP, LTIP and shareholding requirements will operate in line with the remuneration policy.
Non-executives	Fees would be in line with the remuneration policy. We would not pay to relocate a non-executive director.

How pay and conditions of employees were considered when setting the directors' remuneration policy
The group is geographically dispersed and therefore subject to very different pay markets. As a result, it is difficult to make sensible comparisons with all employees across the group. However, the Remuneration committee is mindful of our reward practices across the group when setting and implementing the remuneration policy for the executive directors. We have engaged with our divisional HR Directors when reviewing executive remuneration policy but have not consulted employees.

The structure and principles of incentives further down the organisation are consistent with the approach taken for the Chief Executive and Finance Director. The committee is provided with data on the remuneration structure for two tiers of senior management below the executive directors and uses this information to work with the Company to ensure consistency of approach. In addition, the committee approves all share-based LTIP awards across the group.

The executive directors have a greater proportion of their total reward package at risk than other employees. This means that in years of very good performance, the Chief Executive's package increases proportionately more than that of other employees and conversely in years of lower performance it may be proportionately less. We believe that this is the right model for our business and drives an appropriate performance focus. Salary increases for executive directors are limited to the range of increases available to UK-based employees except in a change of role.

Statement of consideration of shareholders' views
The committee Chair is available to discuss any remuneration matters with shareholders, to help shape our policy and practice. Each year we invite our larger institutional shareholders to share their views on the group's remuneration, strategy and governance. The feedback received, and our response, is detailed in the committee Chair's statement and the policy review section at the start of this report.

Executive directors serving as non-executive directors
To encourage self-development and external insight, the committee has determined that, with the consent of both the Chairman and the Chief Executive, executive directors may serve as non-executive directors of other companies in an individual capacity, retaining any fees earned.

Service contracts and policy on payment for loss of office

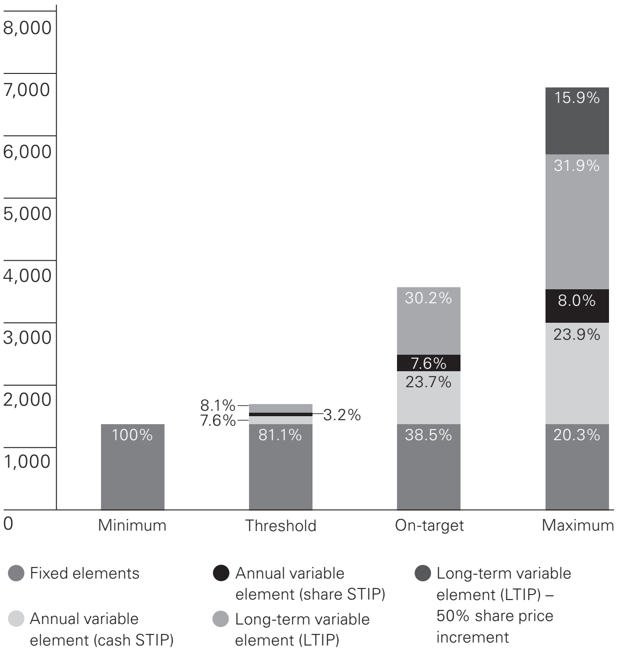
Provision	Policy and operation
Notice period	12 months' notice by either the director or the Company. Contracts are available for inspection at the Company's offices. Contracts and service agreements are not reissued when base salaries or fees are changed.
Non-compete	During employment and for 12 months thereafter.
Executive directors – contractual termination payments	Resignation No payments on departure, even if, by mutual agreement, the notice period is cut short. Departure not in the case of resignation Service contracts allow for the Company to terminate employment by paying the director in lieu of some or all of their notice period. The Company may determine that such a payment is made in monthly instalments or as a lump sum. A payment in lieu of notice will comprise the salary, benefits and pension provision that the director would otherwise have received during the relevant period. The Company is committed to the principle of mitigation and would reduce monthly instalments to take account of amounts received from alternative employment. By exception, the Company may permit an executive director to work for us as a contractor or employee after the end of their notice period for a limited period to ensure an effective hand-over and/or to allow time for a successor to be appointed. Settlement agreement The committee may agree reasonable payments in settlement of legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements. The committee may make payments in respect of outplacement and/or provide other ancillary or non-material benefits linked with departure (including for a defined period after departure) not exceeding £10,000 in aggregate for those leaving the business under an agreement or for other reasons excluding resignation.
Relocation support	Good leaver* If an executive was relocated to the UK at the start of his/her employment, his/her repatriation may be paid. Leaver due to resignation/misconduct/poor performance No payment is made.

Provision	Policy and operation
STIP cash	Good leaver* The committee will consider making a payment pro rata for time and performance, for the financial year in which the termination/death took place. Any agreed payment will be made in the December following the year end. In the case of death, payment may be accelerated. This is consistent with the approach for other STIP participants. Resignation If an executive director ceases to be employed before, or is under notice when, full year results are published, no STIP is paid. Leaver due to misconduct/poor performance No payment is made.
LTIP and STIP shares	Good leaver* Where the performance condition on STIP shares has already been achieved and the award is subject to a service condition, it will vest at the usual vesting date. For other allocations, the committee will decide the extent to which they vest, having regard to the extent to which any performance condition is satisfied and, unless the committee determines otherwise, pro-rating to reflect the period from the start of the performance period until the date of cessation. Such awards will vest on the normal vesting date or at such other date as the committee determines. In the case of death, vesting may be accelerated. Awards or portions of awards that do not vest will lapse. Leaver due to resignation/misconduct/poor performance All conditional awards lapse. Change of control of the Company In the event of a change of control, all unvested awards under the LTIP would vest, subject to the committee considering the extent that any performance conditions attached to the relevant awards have been achieved and, unless the committee determines otherwise, the proportion of the performance period worked by the director prior to the change of control. For STIP shares, all will vest on the event of a change of control.
Non-executive directors – contractual termination payments	Appointment is for three years unless terminated by either party on six months' notice. Continuation of appointment depends on performance and re-election. Non-executive directors typically serve two or three three-year terms. Our Articles of Association require directors to retire from office if they have not retired at either of the preceding two annual general meetings. At this year's annual general meeting, all directors are standing for election or re-election in compliance with the UK Corporate Governance Code. Where an individual does not stand for re-election, they are not paid in lieu of notice.

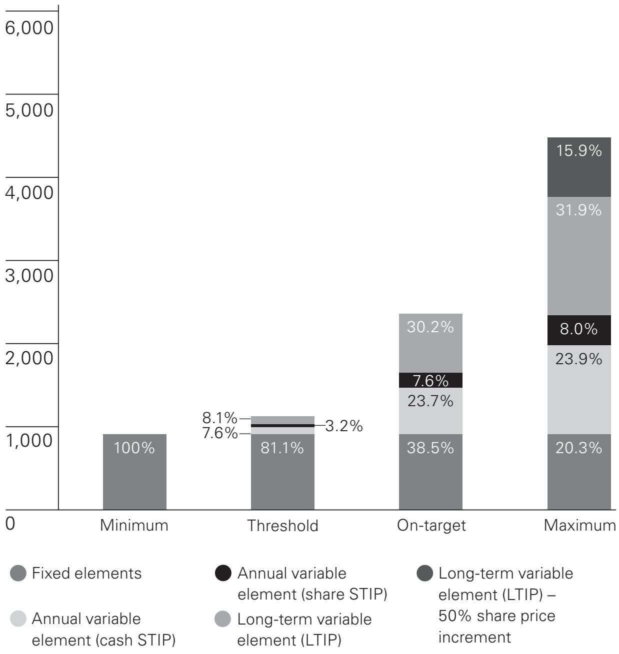
* Good leavers are those leaving because of ill health/injury/disability/death, redundancy, retirement or because their employing company is being transferred outside the group or for any other reason determined by the committee.

Executive directors' reward potential

George Weston (£000)



John Bason (£000)



Notes 2019/20 Policy

1. Fixed elements for George Weston comprise salary (net of pension-related salary sacrifice) of £1,065,205 benefits of £16,250 and pension of £308,756 and applies to minimum, threshold, on-target and maximum performance.
2. Fixed elements for John Bason comprise salary of £720,000 benefits of £20,467 and a cash allowance in lieu of DC pension contributions of £180,000 and applies to minimum, threshold, on-target and maximum performance.
3. Cash STIP is calculated on base salary at the end of the financial year and both the deferred awards and LTIP share values are calculated on base salary at the date of allocation and exclude share price movement and dividend equivalents.
4. Minimum: No cash STIP, deferred awards or LTIP vesting for not achieving threshold performance.
5. Threshold: Cash STIP of 12% of base salary (12% of base salary for threshold financial performance and 0% for not achieving threshold personal performance). Deferred awards vesting at 10% of maximum (i.e. 5% of grant date base salary). LTIP vesting at 6.4% of maximum (i.e. 20% x 80% x 80% of grant date base salary) following achievement of the threshold EPS performance target modified downwards twice for returns at the bottom of the performance range.
6. On-target: Cash STIP of 78.33% of base salary (65% for target financial performance and 13.33% for target personal performance). Deferred awards vesting at 50% of maximum (i.e. 25% of grant date base salary). LTIP vesting at 50% of maximum (i.e. 100% of grant date base salary).
7. Maximum: Cash STIP of 150% of base salary (130% for maximum financial performance and 20% for achieving maximum personal performance). Deferred awards vesting at 100% of maximum (i.e. 50% of grant date base salary). LTIP vesting at 100% of maximum (i.e. 200% of grant date base salary).

Annual implementation report on directors' remuneration – single total figure (audited)

- Sets out the elements of remuneration paid to directors in respect of the financial year 2018/19.
- Sets out performance outcomes for the financial year 2018/19
- Sets out the performance range that applied for the STIP in 2017/18
- Details how we expect to implement the remuneration policy in 2019/20.

This report is subject to an advisory vote at the 2019 AGM.

Single total figure of remuneration for executive directors

		George Weston		John Bason	
		2019 £'000s	2018 £'000s	**2019 £'000s**	2018 £'000s
Fixed Pay	**Base salary[1]**	**1,063**	1,060	**703**	692
	Benefits[2]	**16**	16	**91**	23
	Pension[3,4]	**309**	247	**211**	337
	Total Fixed Pay	**1,388**	1,323	**1,005**	1,052
Variable Pay	**STIP (inc Deferred Shares)[5]**	**1,599**	1,039	**1,062**	698
	LTIP[6,7]	**1,159**	1,481	**763**	976
	Total Variable Pay	**2,758**	2,520	**1,825**	1,674
Total Single Figure of Remuneration		**4,146**	3,843	**2,830**	2,726

1 For executive directors, the salary in the year is not the same as a weighted average of the headline salaries, since salary actually paid is reduced for pension related salary sacrifices. The benefit of these salary sacrifices is captured in the increase in pension entitlements for which a remuneration value is shown in the pensions row.
2 The value of George Weston's benefits comprised £14,161 taken in cash and £2,090 taxed as benefits-in-kind and the value of John Bason's benefits comprised a pension cash allowance of £70,409, £14,161 taken in cash and £6,306 taxed as benefits-in-kind.
3 While the nature of George Weston's pension benefits has not changed during the year, the pensions number for the purposes of this disclosure has increased. This year's amount is higher than last year due to a reduction in the Consumer Price Index to 2.4% at the start of this year from 3% at the start of last year.
4 John Bason's pension benefits continued on the same basis as last year until 24 April 2019. Further accrual under the EFRBS ceased at that date. Since that date he has been paid a pension cash allowance of 25% of salary, which is reported in this table as a taxable benefit.
5 The STIP values shown include a cash amount, which is paid in December in respect of the preceding financial year, and the value of deferred share awards that are based on performance over the relevant financial year. The shares value is calculated based on the average mid-market closing price over the last quarter of the financial year. For 2017/18 the relevant share price was 2465.31p and for 2018/19 it was 2359.23p. The shares in these awards are subject to a two-year deferral period and remain conditional. For George Weston the amount shown for 2019 comprises a cash element of £1,195,403 and a deferred award value of £378,656 plus £1.245 per share dividend equivalent payment of £25,422. For John Bason this comprises a cash element of £794,664 and a deferred award value of £250,126 plus £1.245 per share dividend equivalent payment of £16,743.
6 67.21% of the shares under the LTIP for 2016–19 would normally vest in November 2019. After a reduction of 15% of the calculated vesting amount the actual vesting is 57.13% of the award. George Weston will receive 46,661 shares and John Bason will receive 30,730 shares. As required by UK regulations, the vesting value for 2016–19 has been estimated using the mid-market closing price over the last quarter of 2018/19 of 2359.23p. Vesting will be on 25 November 2019 and a figure recalculated for the share price on that date will be presented in the 2020 report. This value also includes the value of a cash payment in lieu of dividends paid on the vested shares over the performance period of £1.245 per share. The dividend equivalent values included in the numbers are £58,093 for George Weston and £38,259 for John Bason.
7 100% of the shares under the LTIP for 2015–18 vested in November 2018 at a share price of 2494.509p. George Weston received 59,388 shares and John Bason received 39,110 shares. As required by UK regulations, the value disclosed for this award in 2018 was estimated using the average mid-market closing price over the last quarter of the 2017/18 financial year of 2465.31p. This figure has now been recalculated for the actual share price on the vesting date.

This section, which provides more information on executive directors' salaries and benefits in the last year, forms part of the annual implementation report on directors' remuneration, which is subject to an advisory vote at the 2019 AGM.

Single total figure – base salary

Executive directors' salaries were reviewed on 1 December 2018 and the Remuneration committee determined that they should remain unchanged from salaries in the previous year.

	Dec 2017	Increase in Dec 2018	**Dec 2018**
George Weston	£1,090,000	0%	**£1,090,000**
John Bason	£720,000	0%	**£720,000**

Single total figure – taxable benefits

The taxable values of a fully-expensed company car, family private medical insurance, permanent health insurance, life assurance and an annual medical check-up are included in the table of directors' remuneration.

Pensions

Both directors opted out of the Associated British Foods Pension Scheme, a defined benefit scheme, on 5 April 2006. Since then George Weston has earned benefits in an Employer Funded Retirement Benefit Scheme (EFRBS). From 5 April 2006 until 24 April 2019, John Bason also earned benefits in an EFRBS. On 24 April 2019 his EFRBS entitlement ceased and, as disclosed in our 2018 annual report, his previous contract of employment with the Company ended. As such, on 24 April 2019, John Bason entered into a new contract of employment with the Company and, consistent with other new joiners at executive level under the 2016 remuneration policy, was offered participation in our defined contribution scheme or a cash alternative payment. We consulted our largest shareholders in late 2018 and they were supportive of this approach, which was significantly more cost effective for the Company than extending the previous contract and EFRBS membership.

George Weston

In this financial year George Weston had an overall benefit promise of 1/45th of final pensionable pay for each year of pensionable service up to 5 April 2016 and 1/50th of final pensionable pay for each year of pensionable service thereafter, subject to a maximum of 2/3rds of final pensionable pay. He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and has a deferred benefit in the Scheme; the balance of the promise is provided under an EFRBS. His pension benefits are payable from age 65. There is no additional benefit entitlement for members if they take early retirement. His accrued pension at 14 September 2019 was £644,247.

John Bason

In the period to 24 April 2019, John Bason had an overall benefit promise at age 62 of 2/3rds of final pensionable pay, less an allowance for retained benefits from his previous employment. He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and has a deferred benefit in the Scheme; the balance of the promise was provided under an EFRBS. His pension benefits were payable from age 62. There is no additional benefit entitlement for members if they take early retirement. His accrued pension at 24 April 2019 was £413,300.

From 24 April 2019 onwards John Bason has been in receipt of a cash allowance in lieu of pension contributions of 25% of salary.

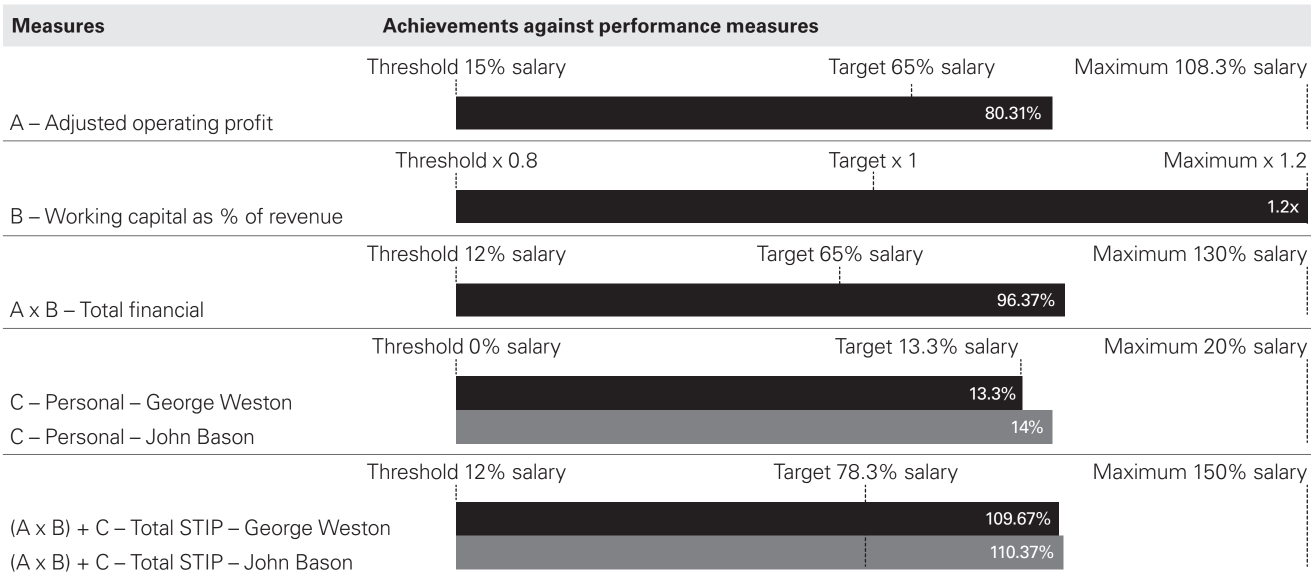
Short Term Incentive Plan – 2018/19 – Cash and Shares

The committee felt that the budget for 2018/19 was a very demanding one, reflecting, in particular, the expected further weakness in world and European sugar prices and the fact that the resulting decline in Sugar profitability was to be offset by significant growth in the other businesses. As expected, Sugar profit was well below the previous year but slightly ahead of the target set due to strong mitigation actions through an ongoing focus on cost reduction. In the event, financial performance in the year was ahead of target driven by strong performance in Primark and the international grocery businesses.

Primark delivered margins above expectations as a result of better buying and lower mark-downs. There was also good growth in Spain, France and Italy. We have continued to learn from our experience in retail in the US and there has been a focus on strengthening our performance in Germany by optimising our cost base, listening to customer feedback and better communicating our ethics to our customers there.

Our grocery businesses delivered a profit improvement of 10% at constant currency and launched some exciting new products in the year. However, we lost our largest UK own label bread contract with a major retailer. As a result, and as noted in the committee Chair's statement, we recognised a £65m impairment charge at the half year in respect of the UK bakeries. Consequently, the depreciation that would otherwise have been charged on these assets in the second half of the year did not arise, which benefited adjusted operating profit and was not reflected in the budget for the year. We have therefore adjusted the STIP target by the same amount as this depreciation upside so that executives do not enjoy a windfall benefit from this.

The table below shows outcomes against the specific measures in the year. We will disclose the target ranges that applied to the 2018/19 STIP in November 2020.



The individual performance ratings for both executive directors were around on-target. For the Finance Director, in particular, this reflected a significant focus on a higher volume of M&A activity, much of which remains commercially confidential at this time. As outlined above, this was a year where focus was put on improving performance in some key areas of our business. Whilst progress has been made, for example in Primark Germany and in Allied Bakeries, driving through the implementation of performance improvement plans remains a focus for the coming year.

This was also a year where we progressed our commitment to the ESG agenda, identifying for each operating division the key priorities for them to address and developing our methodology for assessing progress in this area. We have published a new responsibility report this year, which showcases the steps that we are taking. We have also appointed a non-executive director, Richard Reid, to take a lead on ensuring that the board hears the employee voice and good progress has been made in developing methodologies to support this. We will provide more detailed disclosure in relation to the STIP performance range and personal performance objectives that applied for the executive directors for 2018/19 in next year's annual report.

Whilst we recognise that it is helpful for investors to have sight of the performance range in place to be able to determine whether the STIP range was set at a stretching level, we believe that making this disclosure a year after the end of the financial year enables us to share more information that might remain commercially confidential immediately after year end. We trust that the narrative and graphics above enable investors to gain a broad understanding of how performance was positioned against the range.

In keeping with this approach, the following section is a disclosure of performance outcomes in 2017/18 against the performance range that was in place in that financial year.

Short Term Incentive Plan – 2017/18 – Cash

The table below details the financial performance ranges that applied in 2017/18 and the calculated outcome for the cash element of STIP.

		Cash Element			
		Threshold	Target	Maximum	2017/18 STIP Outcome
A = Adjusted Operating Profit £m		1,351	1,421	1,491	1,403.62
STIP for this level of profit (as % of salary)		15%	65%	108.3%	52.59%
B = Working Capital as a % of sales		15.73	14.73	13.73	13.29
Working Capital modifier		0.8	1.0	1.2	1.2
A x B = STIP financial element (as % of salary)		12%	65%	130%	63.1%
Personal element (as % of salary)	George Weston	0%	13.3%	20%	13.3%
	John Bason	0%	13.3%	20%	15%
Total STIP Cash (as % of salary)	George Weston	12%	78.3%	150%	76.4%
	John Bason	12%	78.3%	150%	78.1%

The STIP targets for 2017/18 anticipated the benefits of growth in Primark selling space, lower sugar prices and further progress in Grocery, Ingredients and Agriculture. When the targets were set we did not anticipate the extent of decline in EU sugar prices during the year. While the margin in Primark was better than expected and performance was good in the other businesses, the impact of sugar prices resulted in overall adjusted operating profit below the on-target level. Good working capital performance brought the overall STIP financial outcome up to 48.54% of maximum. As usual, we considered whether any discretion should be applied and concluded that this outcome was a fair reflection of performance.

Key achievements on personal performance were as shown below. With our operating model, some of the key deliverables are shared between the Chief Executive and Finance Director while others are individual:

	George Weston	John Bason
Divisional financial and operational objectives	Good financial performance across most of our businesses though Sugar profit was impacted by adverse world and EU sugar prices. Primark saw strong trading in key markets. The repositioning of Ingredients continued.	
Development and delivery of strategies, including special projects and transactions	Good work on a number of potential acquisitions in the year with the Acetum acquisition completed and integrated well. Strong learning from early retail experience in the USA, right-sizing certain stores and establishing a strong foundation for future growth.	
People and organisation	Change of leadership of the Agriculture division and ongoing strengthening of recently formed teams in the US grocery business and in the Ingredients business.	Strengthening of the central finance team, including a review of the team structure and appointments into key roles.
Developing long-term business health	Ongoing strong engagement with government and industry bodies as part of our Brexit preparations. Identification of key mitigation strategies for implementation ahead of March 2019. Further improvements in health and safety, particularly in our Ingredients and Australian businesses.	Ongoing strong engagement with government and industry bodies as part of our Brexit preparations. Identification of key mitigation strategies for implementation ahead of March 2019. IT security improved.

Taking into account a detailed assessment of performance against these objectives, the calculated outcome of personal performance for the CEO was on-target at 13.3% and for the Finance Director was 15%. This resulted in a bonus payment of 76.4% of salary out of a maximum 130% of salary for the Chief Executive and 78.1% of salary for the Finance Director.

LTIP – 2016–19

The share allocation in 2016 was the first made under the remuneration policy that was approved in 2016. When the 2016–19 performance range was set in 2016, we were in a period of uncertainty following the Brexit vote. We anticipated foreign exchange rate volatility over the performance period and this is reflected in the EPS performance range that was set.

This period has seen strong performance across most of our portfolio, particularly in Retail, Ingredients and international grocery. As a result, vesting of the LTIP element with the impact of Sugar removed is above target. The poorer outcome for the EPS measure including Sugar reflects the challenging environment following the end of the EU sugar regime in 2017. Low European sugar prices, reflecting the end of the regime and a regional over-supply, has reduced group profits.

		Cut In	Target	Maximum	Outcome	Implications
40% of award – Group	2016–19 EPS[1]	115.06p	133.06p	152.06p	137.5p	24.675%
	ROCE modifier[2]	12%	15%	–	20.0%	X100%
	Total Group element					24.675%
60% of award – Group without Sugar	2016–19 EPS[1]	114.06p	132.06p	151.06p	140.0p	42.535%
	ROCE modifier[2]	13.5%	16.5%	–	24.0%	X100%
	Total Group without Sugar element					42.535%
	Calculated vesting % of maximum allocation					67.21%
	Discretionary adjustment (15% of calculated outcome)					(10.08)%
	Total vesting as a % of maximum allocation					57.13%

1 The EPS range was reduced by 0.94p to reflect an accounting adjustment for the treatment of hyperinflation in Argentina. This adjustment made the performance range no easier or harder to achieve than the range originally set and recognised a change in treatment of the numbers included in the EPS for the year.
2 The ROCE measure is defined as the three-year average of annual average return on capital employed.

As shown above and discussed in the committee Chair's statement, the committee has applied its discretion this year to reduce the calculated vesting outcome downwards by 15% of the pre-adjustment vesting amount in recognition of an impairment that was recognised below the line of operating profit in the course of the year. We believe that this is an appropriate response to this situation.

These LTIP awards were allocated at a price of £26.25. As noted in the committee Chair's statement at the start of this report, our executive directors have very significant shareholdings and their personal wealth has been impacted by the change in share price over the performance period. We do not believe it is appropriate to adjust the number of shares vesting to reflect this share price movement.

Scheme interests (audited information)

The tables below detail the conditional share interests awarded to the executive directors in respect of the LTIP and STIP. The awards made were in line with the existing remuneration policy. LTIP awards are subject to performance conditions over the vesting period; the value of deferred STIP shares is calculated by reference to the achievement of the STIP performance conditions for the award.

Long Term Incentive Plan

			Maximum award				Shares vesting			
Executive directors	Scheme name	Award date	% of salary	Face value at grant £000	Market price at grant[2]	End of performance period	Maximum	Target (50% of maximum)	Threshold (10% of maximum)	Release date
George Weston	LTIP[1]	12/12/16	200%	2,144	2625.0p	14/09/19	81,676	40,838	8,168	25/11/19
		20/11/17	200%	2,144	3076.2p	12/09/20	69,696	34,848	6,970	20/11/20
		19/11/18	200%	2,180	2517.2p	18/09/21	86,604	43,302	8,660	19/11/21
John Bason	LTIP[1]	12/12/16	200%	1,412	2625.0p	14/09/19	53,790	26,895	5,379	25/11/19
		20/11/17	200%	1,412	3076.2p	12/09/20	45,901	22,951	4,590	20/11/20
		19/11/18	200%	1,440	2517.2p	18/09/21	57,206	28,603	5,721	19/11/21

1 A further two-year holding period is in place for the net of tax LTIP shares after vesting.
2 The share price used to determine the number of shares in allocations is the average of the closing share prices on the five trading days immediately preceding the award date.

Short Term Incentive Plan – shares

			Maximum award					Deferred awards		
Executive directors	Scheme name	Award date	% of salary	Face value at grant £000	Market price at grant[1]	End of performance period	Maximum shares	Shares lapsed for performance	Shares subject to service condition	Release date
George Weston	Deferred Awards	12/12/16	50%	536	2625.0p	16/09/17	20,419	0	20,419	25/11/19
		20/11/17	50%	536	3076.2p	15/09/18	17,424	9,046	8,378	20/11/20
		19/11/18	50%	545	2517.2p	14/09/19	21,651	5,601	16,050	19/11/21
John Bason	Deferred Awards	12/12/16	50%	353	2625.0p	16/09/17	13,448	0	13,448	25/11/19
		20/11/17	50%	353	3076.2p	15/09/18	11,475	5,957	5,518	20/11/20
		19/11/18	50%	360	2517.2p	14/09/19	14,302	3,700	10,602	19/11/21

1 The share price used to determine the number of shares in allocations is the average of the closing share prices on the five trading days immediately preceding the award date.

Executive directors' shareholding requirements (audited information)

The executive directors are required to build up a beneficially-owned shareholding of 250% of salary. This requirement has been met. The interests below remained the same at 30 October 2019.

Executive directors	Holding requirement	Beneficial 14 September 2019	Beneficial as % of salary[1]	LTIP awards subject to performance condition 14 September 2019	Deferred awards subject to service condition 14 September 2019	Total 14 September 2019	Total 15 September 2018
George Weston[2]							
Wittington Investments Limited, ordinary shares of 50p	n/a	2,660	n/a	n/a	n/a	2,660	2,660
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	3,610,753	7,761%	237,976	59,494	3,908,223	3,827,965
John Bason							
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	157,446	512%	156,897	39,225	353,568	297,889

1 Calculated using share price as at 13 September 2019 of 2343p and base salary as at 14 September 2019.
2 George Weston is a director of Wittington Investments Limited which, together with its subsidiary Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 14 September 2019.

Remuneration report

Non-executive directors' fees (audited information)

Non-executive directors	Fees		Total Fixed Pay		Total Variable Pay		Single total figure	
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Michael McLintock[1]	**409**	209	**409**	209	**–**	–	**409**	209
Javier Ferrán[2]	**22**	90	**22**	90	**–**	–	**22**	90
Ruth Cairnie[3]	**111**	83	**111**	83	**–**	–	**111**	83
Richard Reid[4]	**111**	95	**111**	95	**–**	–	**111**	95
Emma Adamo	**74**	74	**74**	74	**–**	–	**74**	74
Wolfhart Hauser	**74**	74	**74**	74	**–**	–	**74**	74
Graham Allan[5]	**74**	2	**74**	2	**–**	–	**74**	2
Charles Sinclair[6]	**–**	238	**–**	238	**–**	–	**–**	238
Tim Clarke[7]	**–**	19	**–**	19	**–**	–	**–**	19

1 Michael McLintock joined the board on 1 November 2017 as a non-executive director. He was made Company Chairman on 11 April 2018 and was paid a chairman fee, from that date, consistent with our remuneration policy.
2 Javier Ferrán stepped down as a director on 7 December 2018.
3 Ruth Cairnie was made Chair of the Remuneration committee with effect from 11 April 2018 and was paid a committee chair fee from that date. She was made Senior Independent Director on 7 December 2018 and was paid an additional fee from that date.
4 Richard Reid was given responsibility for representing the voice of our employees to the board with effect from 7 December 2018. In recognition of the additional time commitment that this entails, which we estimate to be consistent with that of chairing a committee, an additional fee was paid to Richard from that date, consistent with our remuneration policy.
5 Graham Allan joined the board on 5 September 2018 as a non-executive director.
6 Charles Sinclair retired from the board on 11 April 2018.
7 Tim Clarke retired from the board on 30 November 2017.

Non-executive directors' shareholding and share interests (audited information)

Non-executive directors are encouraged to hold shares to a value equal to their annual fees. The following shareholdings are ordinary shares of Associated British Foods plc unless stated otherwise. The interests below remained the same at 30 October 2019.

	Total 14 September 2019	Total 15 September 2018	**2019 total holding as a % of annual fee[4]**
Michael McLintock[1]	**15,000**	15,000	**86%**
Ruth Cairnie	**5,223**	3,000	**105%**
Richard Reid	**3,347**	3,347	**68%**
Emma Adamo[2]			
Wittington Investments Limited, ordinary shares of 50p	**1,322**	1,322	**N/A**
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	**504,465**	504,465	**15,972%**
Wolfhart Hauser	**3,918**	3,918	**124%**
Graham Allan[3]	**3,000**	Nil	**95%**

1 Michael McLintock was appointed a non-executive director on 1 November 2017 and Chairman on 11 April 2018.
2 Emma Adamo is a director of Wittington Investments Limited which, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 14 September 2019.
3 Graham Allan was appointed a non-executive director on 5 September 2018.
4 Calculated using share price as at 13 September 2019 of 2343p and fee rate as at 14 September 2019.

Payments to past directors (audited information)

No payments were made to past directors in the year.

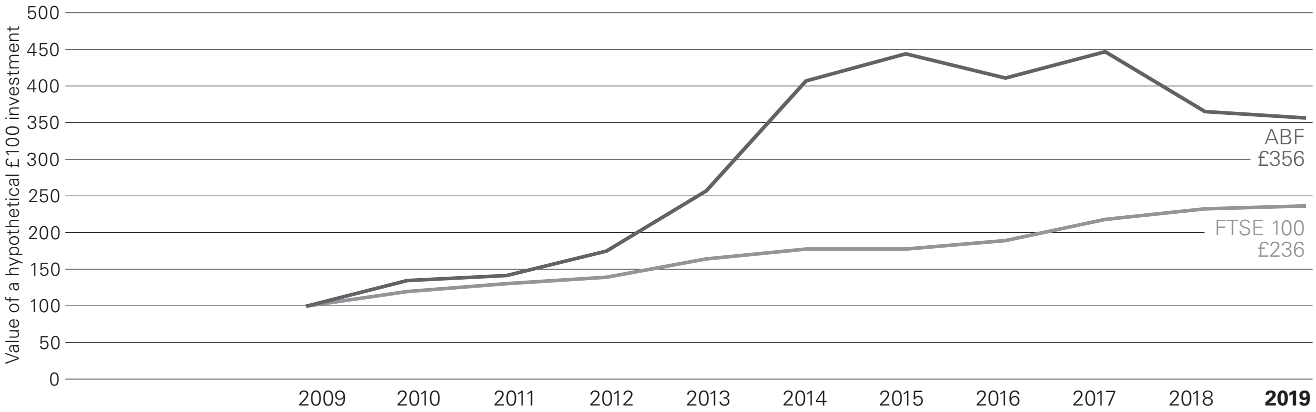
Payments for loss of office (audited information)

No payments were made for loss of office in the year.

TSR performance and Chief Executive's pay

The performance graph below illustrates the performance of the Company over the ten years from September 2009 to September 2019, in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below the graph provides a summary of the total remuneration of the Chief Executive over the same period. For the purpose of calculating the value of the remuneration of the Chief Executive, data has been collated on a basis consistent with the 'single figure' methodology as defined in the applicable UK directors' reporting regulations.



Source: DataStream Return Index

Single total figure remuneration (£000)	3,886	3,182	3,859	5,832	7,470	3,056	3,133	4,849	3,843	**4,146**
Annual variable element (£000)	1,266	438	864	1,219	894	686	1,368	2,179	1,039	**1,599**
Potential maximum annual variable element (£000)	1,310	1,373	1,425	1,466	1,503	1,542	1,577	2,144	2,180	**2,180**
Annual variable element (% of maximum)	96.68%	31.91%	60.63%	83.15%	59.49%	44.46%	86.75%	101.63%[1]	47.66%	**73.35%**
Long-term variable element – shares vesting as % of maximum	99.12%	83.80%	97.42%	85.00%	100.00%	18.54%	0%	51.02%	100.00%	**57.13%**

1 In the annual variable element, shares are valued at the average mid-market closing price over the last quarter of the financial year. In the potential maximum annual variable element STIP shares are valued at the start of the year. If the share price increases over the year and performance against targets is strong, the actual payment may appear to be above maximum. We do not allow more than the maximum number of shares to vest.

At close of business on 13 September 2019, the last trading day before the end of the financial year, the market value of the Company's ordinary shares was 2343p. During the previous 12 months, the market value ranged from 2041p to 2638p.

Executive directors serving as non-executive directors

During the year, George Weston served as a non-executive director of Wittington Investments Limited, for which he received no compensation.

John Bason is a non-executive director and chairman of the audit committee of Compass Group PLC, for which he received a fee of £138,650 in the 2018/19 financial year. He also served as chairman of the charity FareShare but received no compensation in respect of this role.

Executive pay in the context of the group's wider pay practices, dividends and taxes paid

CEO Pay Ratio

	Year	Methodology used	Lower quartile	Median	Upper Quartile
Ratio of CEO pay to employee pay	2018/19	Option B	253:1	238:1	169:1

The Company has chosen to disclose the above pay ratio data a year earlier than it is required to under the regulations. Our pay ratio will vary significantly year-to-year due to the high proportion of variable pay in the Chief Executive's total reward.

We have chosen to use Option B of the available methodologies to calculate the CEO pay ratio. This methodology is based on the data collected as part of gender pay reporting. Given the complexity of our de-centralised group, which operates multiple HR information systems, Option B enabled us accurately to identify the hourly rates at each quartile of our Great Britain employees from the 5 April 2019 snapshot used in gender pay reporting. From these hourly rates, it is possible to identify the individuals at each rate and calculate the average quartile (as each quartile point represents multiple individuals) single figure of total remuneration. Where relevant we have pro-rated the data for individuals to reflect full-time equivalent remuneration as the CEO role is a full-time role and we needed to compare like with like. Please note that gender pay data is not collected for Northern Ireland, so this data is not for the whole UK population.

The above data is particularly informed by the pay and reward policies for our colleagues in Primark. As our businesses are diverse and are run in a decentralised manner, each operates their own approach to remuneration, within guidelines from the group. The pay ratio for our non-retail employees would be lower than the pay ratios shown in the table above as we have a greater number of specialised roles that require specific skills and training. Market pay levels for such roles are higher than for less skilled roles.

Percentage change in remuneration of the Chief Executive

We operate a diverse portfolio of businesses in 52 countries across the world. Our businesses operate close to local markets and under local consumer and employment brands. Within an umbrella expectation that our organisations treat our employees fairly and pay them competitively, we give our businesses considerable flexibility to determine remuneration approaches that are appropriate for their business and that align with their individual organisational and local cultures. This means that in some parts of our organisation remuneration is more focused on fixed pay whilst in others, such as in France, all employees participate in profit sharing or other incentive arrangements.

Across our operating divisions and businesses, the most senior roles participate in a similar reward model to that used for the executive directors. Our business leadership teams understand and can explain to employees across the group how our remuneration approach works.

In December 2018, the increase in the Chief Executive's salary was 0% and the average increase for our UK employees was 2%–3%. The CEO's total remuneration this year was 7.9% higher than last year, reflecting good performance in our non-Sugar business. We believe that it is appropriate that the remuneration of our directors should be closely aligned to the underlying performance of the Company, which means their remuneration will be much more variable than that of other employees, depending on performance outcomes compared with targets.

The overall increase in expenditure on reward for all employees was 3%. This number is based on aggregate data presented in the table below, which include increases in headcount, as it is neither practical nor worthwhile, in a decentralised group of our size, to separate the increase in expenditure on incentives and taxable benefits.

Relative importance of spend on pay

A year-on-year comparison of the relative importance of pay with significant distributions to shareholders and others is shown below.

Expenditure	**2019 £m**	2018 £m	Change %
Pay spend for the group	**2,758**	2,668	3%
Dividends relating to the period	**366**	356	3%
Taxes paid	**269**	297	-9%

Implementation of policy 2019/20

Base salary

Executive directors' salaries are subject to review on 1 December 2019. The committee has determined not to increase salaries this year.

	Dec 2018	Increase in Dec 2019 %	Increase in Dec 2019 £	**Dec 2019**
George Weston	£1,090,000	0%	£0	**£1,090,000**
John Bason	£720,000	0%	£0	**£720,000**

Benefits and pensions

We do not currently anticipate any changes being made to benefits and pensions for executives in 2019/20.

STIP 2019/20 – Cash and Shares

If approved by shareholders, the STIP will be operated in line with the revised remuneration policy.

For 2019/20, up to 50% of salary can be earned under the shares element of the STIP, and up to 150% of salary can be earned under the cash element. The STIP shares are allocated at the start of the financial year and lapse at the end of the year to the extent to which performance conditions have not been met. The balance of the shares remain conditional, subject to the executive remaining with the company, for a further two years and will vest in 2022.

The split between financial and personal performance measures will be as shown in the table below.

	Shares Element – Allocation date value of shares as % of salary			Cash Element – Opportunity as a % of salary				
	Based on operating profit only	Modification based on average working capital	Overall shares element	Based on operating profit only	Modification based on average working capital	Overall financial element	Personal element	Overall cash element
Maximum	41.67%	x1.2	50%	108.33%	x1.2	130.00%	20.00%	150.00%
On-target (budget)	25%	x1.0	25%	65.00%	x1.0	65.00%	13.33%	78.33%
Threshold	6.25%	x0.8	5%	15.00%	x0.8	12.00%	0.00%	12.00%
Below threshold	0%	x0.8	0%	0.00%	x0.8	0.00%	0.00%	0.00%

The targets used for our 2019/20 STIP will be disclosed in the 2021 annual report. Achievement against financial targets will be disclosed in our 2020 Remuneration report.

LTIP – 2019/20 awards (vesting in 2022)

If approved by shareholders, the LTIP will be operated in line with the revised remuneration policy with the performance targets below.

	Group EPS without Sugar in FY2021/22			Modifier – Average Group ROCE without Sugar over 3 years		Modifier – Average Sugar ROCE[1] over 3 years	
	Threshold	Target	Maximum	Threshold	Maximum	Threshold	Maximum
A - Shares vesting as % of award	10%	50%	100%				
B - Modifier that then applies				80%	100%	80%	100%
Performance Range	159p	173p	188p	10%	12%	5%	8%

1 The Sugar ROCE measure has the book value of goodwill added to the denominator.

The earnings per share performance range is set on an IFRS 16 basis and is intended to be stretching. The committee conducted an analysis of the growth potential and challenges facing each of the divisions over the performance period. These ranges were then tested to ensure that they were sufficiently stretching.

As detailed in our remuneration policy section, the Group ROCE without Sugar modifier is set at a level that is intended to guard against poor investment decisions. It is not set at a level that is intended to drive growth in returns and acts only as a downward modifier to the calculated incentive outcomes.

As detailed in the Remuneration committee Chair's statement, the Sugar return range is set to be stretching in the current context of low world sugar prices and the relatively recent end of the European sugar regime in 2017. The bottom end of this return range is broadly in line with market expectations of performance in the first year of the performance cycle. This modifier acts only as a downward modifier to the calculated incentive outcomes and with this performance range, the executive directors will need to improve returns to avoid the LTIP based on EPS being reduced.

Service contracts

	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive directors					
George Weston	19/04/99	01/06/05	12 months	12 months	Rolling contract
John Bason	04/05/99	24/04/19	12 months	12 months	Rolling contract
Non-executive directors					
Michael McLintock	01/11/17	11/04/18	6 months	6 months	Rolling contract
Emma Adamo	09/12/11	09/12/11	6 months	6 months	Rolling contract
Ruth Cairnie	01/05/14	11/04/18	6 months	6 months	Rolling contract
Wolfhart Hauser	14/01/15	14/01/15	6 months	6 months	Rolling contract
Richard Reid	14/04/16	13/04/16	6 months	6 months	Rolling contract
Graham Allan	05/09/18	05/09/18	6 months	6 months	Rolling contract

Copies of service contracts are available for inspection at the Company's head office.

Non-executive directors' fees

	Dec 2018	Increase in Dec 2019	**Dec 2019**
Chairman	£410,000	£0	**£410,000**
Additional fee for Senior Independent Director responsibilities	£21,000	£0	**£21,000**
Additional fee for committee Chair (Audit/Remuneration only)	£21,000	£0	**£21,000**
Additional fee for responsibility for employee voice (equivalent time commitment to committee Chair)[1]	£21,000	£0	**£21,000**
Director	£74,000	£0	**£74,000**

1 Note that additional fees reflect the additional time commitment and responsibilities taken on by an individual at the request of the Company.

The above fees were reviewed in 2019 and it was determined that the increases above were appropriate to reflect the scope and responsibilities of these roles.

Statement on shareholder voting

At the last AGM in December 2018 the voting results on resolution 2, to receive and approve the Remuneration report for the year ended 15 September 2018, were as follows: the percentage 'for' was 96.25% and the percentage 'against' was 3.75%.

At the AGM in December 2017, the voting result on resolution 2, to receive and approve the Remuneration policy were as follows: the percentage 'for' was 96.91% and the percentage 'against' was 3.09%.

Compliance

Where information in this report has been audited by Ernst & Young LLP it has been clearly indicated. The report has been prepared in line with the requirements of The Large and Medium-sized Companies Regulations (as amended), the recommendations of the UK Corporate Governance Code (April 2016) and the requirements of the UKLA Listing Rules.

Remuneration committee advisers and fees

Following a competitive tender in 2003, Willis Towers Watson (WTW, then Towers Perrin) was selected to provide independent advice to the committee. The committee has retained WTW in this role because it values the robust data and continuity of advice provided over the long term. The committee remains satisfied that the advice from WTW is independent, thoughtful and challenging and so has not put this out to tender. The committee will keep this position under review.

WTW is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting. The only other advice that WTW provides to the Company is in survey provision, job evaluation and remuneration benchmarking. The fees paid to WTW for committee assistance over the past financial year totalled £77,630.

Herbert Smith Freehills LLP provide the Company with legal advice. Advice from Herbert Smith Freehills is made available to the committee, where it relates to matters within its remit.

By order of the board
Paul Lister
Company Secretary
5 November 2019

Directors' report

Introduction

The directors of Associated British Foods plc present their report for the 52 weeks ended 14 September 2019, in accordance with section 415 of the Companies Act 2006. The Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Listing Rules also require the Company to make certain disclosures, some of which have been included in other appropriate sections of the annual report and accounts.

The information set out on page 110 and the following cross-referenced material, is incorporated into this Directors' report:

- likely future developments in the group's business (pages 12 to 49);
- greenhouse gas emissions (page 60);
- the board of directors (pages 68 and 69);
- information on our employees (page 56); and
- corporate governance report (pages 70 to 82).

Results and dividends

The consolidated income statement is on page 119. Profit for the financial year attributable to equity shareholders amounted to £878m.

The directors recommend a final dividend of 34.3p per ordinary share to be paid, subject to shareholder approval, on 10 January 2020. Together with the interim dividend of 12.05p per share paid on 5 July 2019, this amounts to 46.35p for the year. Dividends are detailed on page 137.

Directors

The names of the persons who were directors of the Company during the financial year and as at 5 November 2019 appear on pages 68 and 69. Javier Ferrán retired as a director of the Company on 7 December 2018.

Appointment of directors

The Company's articles of association (the 'Articles') give directors the power to appoint and replace directors. Under the terms of reference of the Nomination committee, any appointment must be recommended by the Nomination committee for approval by the board of directors. A person who is not recommended by the directors may only be appointed as a director where details of that director have been provided at least seven and not more than 35 days prior to the relevant meeting by at least two members of the Company. The Articles require directors to retire and submit themselves for election at the first AGM following appointment and all directors who held office at the time of the two preceding AGMs and, in any event, not less than one-third of the relevant directors (excluding those directors who retire other than by rotation), to submit themselves for re-election. The Articles notwithstanding, all directors will stand for re-election at the AGM this year in compliance with the 2018 Code. Details of unexpired terms of directors' service contracts are set out in the Remuneration report on page 105.

Power of directors

The directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders at the AGM each year.

Directors' indemnities and insurance

One director of operating subsidiaries benefited from qualifying third-party indemnity provisions provided by the Company's wholly-owned subsidiary, ABF Investments plc, during the financial year and at the date of this report.

Also, the directors of a subsidiary company that acts as trustee of a pension scheme benefited from a qualifying pension scheme indemnity provision during the financial year and at the date of this report.

The Company has in place appropriate directors' and officers' liability insurance cover in respect of legal action against its executive and non-executive directors, amongst others.

Directors' share interests

Details regarding the share interests of the directors (and their persons closely associated) in the share capital of the Company, including any interests under the long term incentive plan and any deferred awards, are set out in the Remuneration report on pages 101 and 102.

Disclosures required under Listing Rule 9.8.4R

The following table is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the annual report and accounts at the references set out below.

Information required	Location in annual report
(12) Shareholder waiver of dividends	Note 23 on page 153
(13) Shareholder waiver of future dividends	Note 23 on page 153
(14) Board statement on relationship agreement with controlling shareholder	Directors' report on pages 107 and 108

Paragraphs (1), (2), (4), (5), (6), (7), (8), (9), (10) and (11) of Listing Rule 9.8.4R are not applicable.

Relationship agreement with controlling shareholders

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions in the Listing Rules and which must contain undertakings that:

- transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Directors' report

Wittington Investments Limited ('Wittington') and, through their control of Wittington, the trustees of the Garfield Weston Foundation (the 'Foundation') are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 14 September 2019, had a combined interest in approximately 59.53% of the Company's voting rights.

The board confirms that, in accordance with the Listing Rules, on 14 November 2014 the Company entered into a relationship agreement with Wittington and the trustees of the Foundation containing the required undertakings (the 'Relationship Agreement' as amended and restated on 29 March 2019). Under the terms of the Relationship Agreement, Wittington has agreed to procure compliance with the undertakings by the other individuals who are treated as controlling shareholders (the 'Non-signing Controlling Shareholders'). The board confirms that, during the period under review:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the controlling shareholders and their associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement as regards compliance with the independence provisions by the Non-signing Controlling Shareholders and their associates, has been complied with by Wittington.

Major interests in shares
As at 14 September 2019, the Company had received formal notification, under the Disclosure Guidance and Transparency Rules, of the following material interest in shares:

The Company was notified on 19 October 2018 that The Capital Group Companies, Inc. had a shareholding of 39,523,864 shares, which is 4.99% of the issued share capital and voting rights of the Company.

Details of the Company's controlling shareholders for the purpose of the Listing Rules who, as at 14 September 2019, had a combined interest in approximately 59.53% of the voting rights in the Company's ordinary shares are set out in the previous column.

Share capital
Details of the Company's share capital and the rights attached to the Company's shares are set out in note 21 on page 150. The Company has one class of share capital: ordinary shares of $5^{15}/_{22}$p. The rights and obligations attaching to these shares are governed by English law and the Company's Articles.

No shareholder holds securities carrying special rights with regard to the control of the Company. There are no restrictions on voting rights.

There are no restrictions on the holding or transfer of the ordinary shares other than the standard restrictions for an English incorporated company set out in article 32 of the Company's Articles.

Authority to issue shares
At the last AGM, held on 7 December 2018, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to two-thirds of the shares in issue (of which one-third must be offered by way of rights issue). This authority expires on the date of this year's AGM to be held on 6 December 2019. No such shares have been issued.

The directors propose to renew this authority at the 2019 AGM for the forthcoming year. A further special resolution passed at the 2018 meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006 in certain circumstances. This authority also expires on the date of the 2019 AGM and the directors will seek to renew this authority for the forthcoming year.

Authority to purchase own shares
The Companies Act 2006 empowers the Company to purchase its own shares subject to the necessary shareholder approval. The Company has no existing authority to purchase its own shares.

Amendment to Company's articles of association
Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the shareholders.

Significant agreements – change of control
The group has contractual arrangements with many parties including directors, employees, customers, suppliers and banking groups. The following arrangements are considered to be significant in terms of their potential impact on the business of the group as a whole and could alter or terminate on a change of control of the Company:

- the group has a number of borrowing facilities provided by various banking groups. These facility agreements generally include change of control provisions which, in the event of a change in ownership of the Company, could result in their renegotiation or withdrawal. The most significant of these are the £1.2bn syndicated loan facility signed on 15 July 2014, maturing in July 2021, which was undrawn at the year end. In the event of a change in ownership of the Company, the lenders may request cancellation of the commitment and repayment of any outstanding amounts;
- £346m (approximate sterling equivalent) of private placement notes in issue to institutional investors. In the event of a change in ownership of the Company, the Company is obliged to make an offer of immediate repayment to the remaining note holders; and
- cross currency swaps in place totalling $300m to swap a proportion of private placement debt denominated in US dollars to euros.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Political donations
During the year, the Company did not make any political donations or incur any political expenditure (within the ordinary meaning of those words) in the UK or EU. However, under the wider definition of Part 14 of the Companies Act 2006, a subsidiary of the Company did incur political expenditure to the approximate value of £3,500 during the year.

Financial risk management
Details of the group's use of financial instruments, together with information on our risk objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and our exposure to price, credit, liquidity, cash flow and interest rate risks, can be found in note 25 on pages 154 to 164.

Research and development
Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the group.

The Company has a major technical centre in the UK at the Allied Technical Centre. Facilities also exist at ACH Food Companies in the USA, AB Mauri in Australia and the Netherlands, and AB Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

Branches
The Company, through various subsidiaries, has established branches in a number of different countries in which the group operates.

Disclosure of information to auditor
Each of the directors who held office at the date of approval of this Directors' report confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the reasonable steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

For these purposes, relevant audit information means information needed by the Company's auditor in connection with the preparation of its report on pages 111 to 118.

Auditor
Resolutions for the reappointment of Ernst & Young LLP as auditor of the Company and to authorise the Audit committee to determine its remuneration are to be proposed at the forthcoming AGM.

Annual general meeting
The AGM will be held on 6 December 2019 at 11.00 am at Congress Centre, 28 Great Russell Street, London WC1B 3LS. Details of the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this report for shareholders receiving hard copy documents and which is available at www.abf.co.uk for those who elected to receive documents electronically. All resolutions for which notice has been given will be decided on a poll.

On behalf of the board

Paul Lister
Company Secretary
5 November 2019

Associated British Foods plc
Registered office:
Weston Centre
10 Grosvenor Street
London
W1K 4QY
Company No. 293262

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the annual report and the financial statements
The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Remuneration report and Corporate governance statement that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

5 November 2019

Independent Auditor's Report

to the members of Associated British Foods plc

Opinion

In our opinion:

- Associated British Foods plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 14 September 2019 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Associated British Foods plc, which comprise:

Group	Parent company
Consolidated balance sheet as at 14 September 2019	Balance sheet as at 14 September 2019
Consolidated income statement for the 52 weeks then ended	Statement of changes in equity for the 52 weeks then ended
Consolidated statement of comprehensive income for the 52 weeks then ended	Related notes 1 to 10 of the financial statements, including a summary of significant accounting policies
Consolidated statement of changes in equity for the 52 weeks then ended	
Consolidated cash flow statement for the 52 weeks then ended	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report and accounts, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report and accounts, set out on pages 62 to 66, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 76 in the annual report and accounts, that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 75 in the financial statements, about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 67 in the annual report and accounts, as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	Audit scope	Materiality
• Assessment of the carrying value of goodwill, other intangible assets and property, plant and equipment • Tax provisions • Revenue recognition, including the risk of management override • Disclosure of impact of adoption of IFRS 16 *Leases*	• We performed an audit of the complete financial information of 130 components and audit procedures on specific balances for a further 44 components. • The components where we performed full or specific audit procedures accounted for 88% of profit before taxation, 89% of revenue and 88% of total assets.	• We used a group materiality of £66m, which represents 5% of profit before taxation, adjusted for exceptional items and certain significant profits less losses on sale and closure of businesses.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit committee
Assessment of the carrying value of goodwill, other intangible assets and property, plant and equipment (£7,450 million, 2018: £7,379 million) The group has a significant value of goodwill, other intangible assets and property, plant and equipment that has arisen from acquisitions and capital investments. The AB Mauri (£654 million), Azucarera (£273 million), Australian meat (£170 million), UK Bakeries (£137 million) and China Sugar (£81 million) businesses all operate in challenging trading environments. AB Mauri's profitability has been impacted by competitive pricing pressures in some of its businesses compounded by macro-economic conditions, including high inflation rates and currency devaluation. Low sugar prices contributed to a significant reduction in profitability at Azucarera and, combined with poorer crop quality, in China Sugar. The Australian meat and UK Bakeries businesses operate in environments of significant retailer pressure on price and competitor activity. There is a risk that these cash generating units ('CGUs') may not achieve the anticipated business performance to support their carrying value, or that the estimated fair value of the CGUs may not support their carrying value. This could lead to an impairment charge that has not been recognised by management. Significant judgement is required in forecasting the future cash flows of each CGU, together with the rate at which they are discounted, or in estimating a CGU's fair value less costs of disposal. *Refer to the Audit committee report (page 80); accounting policies (page 127); accounting estimates and judgements (page 131); and notes 8 and 9 to the consolidated financial statements (pages 139 to 142).*	We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the controls over the process. For CGUs where there were indicators of impairment or low levels of headroom, including the five CGUs described, we performed detailed testing to critically assess and corroborate the key inputs to the valuations, including: • analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience; • for AB Mauri and Australian meat, visiting factories and analysing historical data to better understand the operations and to assess the ability to achieve forecast volume growth, operational improvements and production yields; • for Azucarera and China Sugar, performing current market and historical analysis to assess future sugar price and cost assumptions, with support from our valuation specialists on future sugar prices; • for UK Bakeries, where the recoverable amount is based on fair value less costs of disposal, considering the evidence available as to whether the recoverable amount represents an appropriate estimate of a market participant's valuation of the CGU and whether the impairment of £65 million recognised in the year was appropriate; • in conjunction with our valuation specialists, assessing the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations; and • validating the growth rates assumed by comparing them to economic and industry forecasts. For all CGUs we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the group's forecasts and, for Azucarera and China Sugar, performed our own independent assessment of future sugar price, beet cost and area assumptions. We then determined whether adequate headroom remained using these sensitivities and our independent assessment. We assessed the disclosures in notes 8 and 9 against the requirements of IAS 36 *Impairment of Assets*, in particular in respect of the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. For the AB Mauri CGU, the audit procedures performed to address this risk were performed by the group audit team. The Australian meat, UK Bakeries, Azucarera and China Sugar goodwill, operating intangible assets and property, plant and equipment were subject to full scope audit procedures by the respective component teams, and reviewed by the group team.	We concluded that the £65 million impairment charge to the property, plant and equipment of UK Bakeries, recorded in the first half of the year, was appropriately recognised and that no further impairments were required. For other CGUs, we concluded that no impairments were required at the year end, based on the results of our work. Of the group's assets, the portion relating to the AB Mauri, Azucarera, Australian meat, UK Bakeries and China Sugar businesses remains very sensitive to reasonably possible changes in key assumptions. Management describes these sensitivities appropriately in the intangible assets and property, plant and equipment notes to the group financial statements, in accordance with IAS 36.

Risk	Our response to the risk	Key observations communicated to the Audit committee
Tax provisions (included within the income tax liability of £163m, 2018: £160m) The global nature of the group's operations results in complexities in the payment of and accounting for tax. Management applies judgement in assessing tax exposures in each jurisdiction, many of which require interpretation of local tax laws. Given this judgement, there is a risk that tax provisions are misstated. *Refer to the Audit committee report (page 80); accounting policies (page 126); accounting estimates and judgements (page 131); and note 5 to the consolidated financial statements (page 137).*	We understood: • the group's process for determining the completeness and measurement of provisions for tax; • the methodology for the calculation of the tax charge; and • management's controls over tax reporting. The group audit team, including tax specialists, evaluated the tax positions taken by management in each significant jurisdiction in the context of local tax law, correspondence with tax authorities and the status of any tax audits. Our work utilised additional support from country tax specialists in Australia, Germany, Ireland, Spain and the USA. We assessed the group's transfer pricing judgements, considering the way in which we observed the group's businesses operating and the correspondence and agreements reached with tax authorities.	We consider the amounts provided to be within an acceptable range in the context of the group's overall tax exposures.
Revenue recognition, including the risk of management override (£15,824m, 2018: £15,574m) There continues to be pressure on the group to meet expectations and targets. Management reward and incentive schemes, based on achieving profit targets and working capital as a percentage of revenue targets, may also place pressure to manipulate revenue recognition. The majority of the group's sales arrangements are generally straightforward, being on a point of sale basis and requiring little judgement to be exercised. However, in the Grocery segment, management estimates the level of trade promotions and rebates to be applied to its sales to customers, adding a level of judgement to revenue recognition. Approximately 3% (2018: 3%) of the group's gross revenue is subject to such arrangements. There is a risk that management may override controls to intentionally misstate revenue transactions, either through the judgements made in estimating rebates in the Grocery segment or by recording fictitious revenue transactions across the business. *Refer to the accounting policies (page 125); and note 1 to the consolidated financial statements (pages 132 to 134).*	We understood each business's revenue recognition policies and how they are applied, including the relevant controls, and tested controls over revenue recognition where appropriate. We discussed key contractual arrangements with management and obtained relevant documentation, including in respect of rebate and returns arrangements. Where rebate arrangements existed, on a sample basis we obtained third party confirmations or performed appropriate alternative procedures, including review of contracts and recalculation of rebates. We also performed hindsight analysis over changes to prior period rebate estimates to challenge the assumptions made, including assessing the estimates for evidence of management bias. For a number of businesses, including Primark, as part of our overall revenue recognition testing we used data analysis tools on 100% of revenue transactions in the year to test the correlation of revenue to cash receipts to verify the occurrence of revenue. This provided us with a high level of assurance over £13.6 billion (86%) (2018: £12.3 billion (79%)) of revenue recognised by the group. For those in-scope businesses where we did not use data analysis tools, we performed appropriate alternative procedures over revenue recognition. We performed cut-off testing for a sample of revenue transactions around the period end date, to check that they were recognised in the appropriate period. We performed other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, applying particular focus to the timing of revenue transactions. We assessed the disclosures against the requirements of IFRS 15 *Revenue from contracts with customers*, in particular in respect of the requirements to disclosure rebate and returns arrangements and the impact of the first year of adoption. We performed full and specific scope audit procedures over this risk area in 93 locations, which covered 89% of the group's revenue. The audit procedures performed to address this risk were performed by component teams and reviewed by the group team.	Based on the procedures performed, including those in respect of trade deductions and rebates in the Grocery segment, we did not identify any evidence of material misstatement in the revenue recognised in the year.

Risk	Our response to the risk	Key observations communicated to the Audit committee
Disclosure of impact of adoption of IFRS 16 *Leases* The group has a high value and volume of leases, with the majority of lease value represented by retail property leases held by Primark. The estimation of the impact of the adoption of IFRS 16 *Leases* is complex and requires a number of judgements, the most significant of which relate to: • determination of the lease term; • determination of the incremental borrowing rate ('IBR') where the interest rate in the lease cannot be readily determined; and • identification of lease arrangements within the scope of IFRS 16. The diversity of ABF's global operations increases the risk of lease data used to estimate the transition adjustment being inaccurate and incomplete. There is also a risk of incorrect calculation of accounting entries being recorded in the model used by management. *Refer to the audit committee report (page 81) and accounting policies (page 130).*	We evaluated the design and implementation of key controls used in estimating and disclosing the impact of adoption of IFRS 16. We performed the following audit procedures, with a particular focus on Primark's retail property leases, given that the majority of the lease value is represented by this business: • considered the accounting judgements applied by management for compliance with IFRS 16, with particular reference to assumptions on lease term; • understood and walked through management's model used to estimate the right-of-use asset and lease liability disclosures; • tested a sample of leases by corroborating key data inputs to underlying source data (original lease agreements, side agreements, calculations prepared by management) to verify the accuracy of those data inputs; • for the same sample we independently recalculated the opening right-of-use asset and lease liability, testing the arithmetical accuracy and integrity of management's model; and • with input from our treasury specialists, we tested the methodology used to determine the IBRs with reference to lease terms, country risk and credit ratings. We tested the completeness of the disclosures by comparing the IFRS 16 lease population with the group's current operating lease population. We also evaluated management's judgements around significant service arrangements which may constitute a lease under IFRS 16. The audit procedures were designed and led by the group audit team, with support from component teams whose work was reviewed by the group audit team.	We are satisfied that the estimated impact of IFRS 16 has been disclosed appropriately in the financial statements and the judgements applied by management are in accordance with IFRS 16.

The key audit matters set out in the table above are consistent with those reported in 2018, with the exception of the addition of 'Disclosure of impact of adoption of IFRS 16 *Leases*' ahead of the adoption of this new accounting standard in 2020.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the level of revenue and profit before taxation, risk profile (including country risk, controls and internal audit findings and the extent of changes in management, systems and processes and the business environment) and other known factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements and to achieve adequate quantitative coverage of significant accounts in the financial statements, of the 634 reporting components of the group, we selected 174 components, which represent the principal business units within the group.

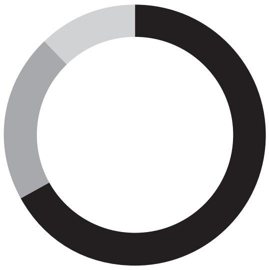
Of the 174 components selected, we performed an audit of the complete financial information of 130 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 44 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed full and specific scope procedures accounted for 88% of the group's profit before taxation (2018: 90%), 89% of the group's revenue (2018: 90%) and 90% of the group's total assets (2018: 89%). For the current period, the full scope components contributed 67% of the group's profit before taxation (2018: 74%), 78% of the group's revenue (2018: 79%) and 78% of the group's total assets (2018: 79%). The specific scope components contributed 21% of the group's profit before taxation (2018: 16%), 11% of the group's revenue (2018: 11%) and 12% of the group's total assets (2018: 10%). The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

Of the remaining 460 components (2018: 464) that together represent 12% of the group's profit before taxation (2018: 10%), none are individually greater than 1% of the group's profit before taxation. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

The charts illustrate the coverage obtained from the work performed by our audit teams.

Profit before taxation



- Full scope components 67%
- Specific scope components 21%
- Other procedures 12%

Revenue

- Full scope components 78%
- Specific scope components 11%
- Other procedures 11%

Total assets

- Full scope components 78%
- Specific scope components 12%
- Other procedures 10%

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components, as the group audit team, or by component auditors from other EY global network firms or by other auditors operating under our instruction. Of the 130 full scope components, audit procedures were performed on 71 of these directly by the group audit team and 59 by component audit teams. For the 44 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

During the period the Senior Statutory Auditor or other members of the group audit team visited 34 full and specific components in Australia, China, Ireland, Italy, India, Mexico, New Zealand, South Africa, Spain, Thailand, the UK and the US.

These visits involved meeting with our component team to discuss and direct its audit approach, reviewing key working papers and understanding the significant audit findings in response to the risk areas including asset impairment, tax provisions and revenue recognition, holding meetings with local management, undertaking factory tours and obtaining updates on IT systems implementations and local regulatory matters including tax, pensions and legal. The group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality – 'The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.'

We determined materiality for the group to be £66 million (2018: £64 million), which is 5% of profit before taxation adjusted for exceptional items and certain significant profits less losses on sale and closure of businesses. Exceptional items were £65 million of impairment charges and £14 million of Guaranteed Minimum Pension charges. The significant profits less losses on sale and closure of businesses result from AB Mauri signing an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International. As a consequence, the businesses have been classified as a disposal group and a loss of £88 million was recorded. We consider that this basis for assessing materiality provides the most relevant performance measure to the stakeholders of the group, as exceptional items and certain significant profits less losses on sale and closure of businesses were non-recurring, sufficiently material and not related to the ongoing trading of the group. There were no equivalent items in 2018.

Performance materiality – 'The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.'

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £49 million (2018: 75% of planning materiality, being £48 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current period, the range of performance materiality allocated to components was £1 million to £27 million (2018: £1 million to £22 million).

Reporting threshold – 'An amount below which identified misstatements are considered as being clearly trivial.'

We agreed with the Audit committee that we would report to them all uncorrected audit differences in excess of £1 million (2018: £1 million), which is 2% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report and accounts set out on pages 1 to 110, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, accordingly, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable,** set out on page 110 – the statement given by the directors that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting,** set out on pages 79 to 82 – the section describing the work of the Audit committee does not appropriately address matters communicated by us to the Audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code**, set out on page 70 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, set out on page 110, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group and 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 group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 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 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.

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRSs as adopted by the EU, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters, food standards and food safety.
- We understood how the group is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit committee and correspondence received from regulatory bodies.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, divisional management and all full and specific scope management; and focused testing, as referred to in the key audit matters section above.

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

Other matters we are required to address

- Following the recommendation of the Audit committee, we were appointed as auditor by the shareholders and signed an engagement letter on 16 April 2019. We were appointed by the Company at the AGM on 7 December 2018 to audit the financial statements for the 52 weeks ending 14 September 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is four years, from the 53 weeks ended 17 September 2016 until the 52 weeks ended 14 September 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the Company and we remain independent of the group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Walton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 November 2019

Consolidated income statement

for the 52 weeks ended 14 September 2019

Continuing operations	Note	2019 £m	2018 £m
Revenue	1	**15,824**	15,574
Operating costs before exceptional items	2	**(14,524)**	(14,290)
Exceptional items	2	**(79)**	–
		1,221	1,284
Share of profit after tax from joint ventures and associates	10	**57**	54
Profits less losses on disposal of non-current assets		**4**	6
Operating profit		**1,282**	1,344
Adjusted operating profit	1	**1,421**	1,404
Profits less losses on disposal of non-current assets		**4**	6
Amortisation of non-operating intangibles	8	**(47)**	(41)
Acquired inventory fair value adjustments	2	**(15)**	(23)
Transaction costs	2	**(2)**	(2)
Exceptional items	2	**(79)**	–
Profits less losses on sale and closure of businesses	22	**(94)**	(34)
Profit before interest		**1,188**	1,310
Finance income	4	**15**	15
Finance expense	4	**(42)**	(50)
Other financial income	4	**12**	4
Profit before taxation		**1,173**	1,279
Adjusted profit before taxation		**1,406**	1,373
Profits less losses on disposal of non-current assets		**4**	6
Amortisation of non-operating intangibles	8	**(47)**	(41)
Acquired inventory fair value adjustments	2	**(15)**	(23)
Transaction costs	2	**(2)**	(2)
Exceptional items	2	**(79)**	–
Profits less losses on sale and closure of businesses	22	**(94)**	(34)
Taxation – UK (excluding tax on exceptional items)		**(75)**	(105)
– UK (on exceptional items)		**12**	–
– Overseas		**(214)**	(152)
	5	**(277)**	(257)
Profit for the period		**896**	1,022
Attributable to			
Equity shareholders		**878**	1,007
Non-controlling interests		**18**	15
Profit for the period		**896**	1,022
Basic and diluted earnings per ordinary share (pence)	7	**111.1**	127.5
Dividends per share paid and proposed for the period (pence)	6	**46.35**	45.0

Consolidated statement of comprehensive income

for the 52 weeks ended 14 September 2019

	2019 £m	2018 £m
Profit for the period recognised in the income statement	**896**	1,022
Other comprehensive income		
Remeasurements of defined benefit schemes	**(407)**	310
Deferred tax associated with defined benefit schemes	**68**	(53)
Current tax associated with defined benefit schemes	**2**	–
Items that will not be reclassified to profit or loss	**(337)**	257
Effect of movements in foreign exchange	**43**	(85)
Net gain/(loss) on hedge of net investment in foreign subsidiaries	**3**	(10)
Deferred tax associated with movements in foreign exchange	**–**	1
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**(3)**	–
Movement in cash flow hedging position	**(29)**	55
Deferred tax associated with movement in cash flow hedging position	**7**	(12)
Share of other comprehensive income of joint ventures and associates	**4**	–
Effect of hyperinflationary economies	**38**	–
Deferred tax associated with hyperinflationary economies	**(2)**	–
Items that are or may be subsequently reclassified to profit or loss	**61**	(51)
Other comprehensive income for the period	**(276)**	206
Total comprehensive income for the period	**620**	1,228
Attributable to		
Equity shareholders	**601**	1,215
Non-controlling interests	**19**	13
Total comprehensive income for the period	**620**	1,228

Consolidated balance sheet

at 14 September 2019

	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	8	**1,681**	1,632
Property, plant and equipment	9	**5,769**	5,747
Investments in joint ventures	10	**225**	219
Investments in associates	10	**50**	47
Employee benefits assets	11	**228**	579
Deferred tax assets	12	**160**	133
Other receivables	13	**51**	50
Total non-current assets		**8,164**	8,407
Current assets			
Assets classified as held for sale	14	**43**	–
Inventories	15	**2,386**	2,187
Biological assets	16	**84**	84
Trade and other receivables	13	**1,436**	1,436
Derivative assets	25	**99**	132
Current asset investments	24	**29**	30
Income tax		**24**	54
Cash and cash equivalents	17	**1,495**	1,362
Total current assets		**5,596**	5,285
Total assets		**13,760**	13,692
Current liabilities			
Liabilities classified as held for sale	14	**(6)**	–
Loans and overdrafts	18	**(227)**	(419)
Trade and other payables	19	**(2,556)**	(2,529)
Derivative liabilities	25	**(52)**	(52)
Income tax		**(163)**	(160)
Provisions	20	**(64)**	(88)
Total current liabilities		**(3,068)**	(3,248)
Non-current liabilities			
Loans	18	**(361)**	(359)
Other payables	19	**(271)**	(269)
Provisions	20	**(54)**	(52)
Deferred tax liabilities	12	**(261)**	(324)
Employee benefits liabilities	11	**(195)**	(144)
Total non-current liabilities		**(1,142)**	(1,148)
Total liabilities		**(4,210)**	(4,396)
Net assets		**9,550**	9,296
Equity			
Issued capital	21	**45**	45
Other reserves	21	**175**	175
Translation reserve	21	**409**	363
Hedging reserve	21	**(9)**	13
Retained earnings		**8,832**	8,615
Total equity attributable to equity shareholders		**9,452**	9,211
Non-controlling interests		**98**	85
Total equity		**9,550**	9,296

The financial statements on pages 119 to 175 were approved by the board of directors on 5 November 2019 and were signed on its behalf by:

Michael McLintock
Chairman

John Bason
Finance Director

Consolidated cash flow statement

for the 52 weeks ended 14 September 2019

	2019 £m	2018 £m
Cash flow from operating activities		
Profit before taxation	**1,173**	1,279
Profits less losses on disposal of non-current assets	**(4)**	(6)
Profits less losses on sale and closure of businesses	**94**	34
Transaction costs	**2**	2
Finance income	**(15)**	(15)
Finance expense	**42**	50
Other financial income	**(12)**	(4)
Share of profit after tax from joint ventures and associates	**(57)**	(54)
Amortisation	**68**	65
Depreciation	**544**	509
Exceptional items	**79**	–
Acquired inventory fair value adjustments	**15**	23
Effect of hyperinflationary economies	**6**	–
Net change in the fair value of current biological assets	**–**	5
Share-based payment expense	**22**	19
Pension costs less contributions	**(10)**	4
Increase in inventories	**(202)**	(35)
Decrease/(increase) in receivables	**18**	(99)
Increase/(decrease) in payables	**44**	(19)
Purchases less sales of current biological assets	**(1)**	(1)
Decrease in provisions	**(28)**	(30)
Cash generated from operations	**1,778**	1,727
Income taxes paid	**(269)**	(297)
Net cash from operating activities	**1,509**	1,430
Cash flows from investing activities		
Dividends received from joint ventures and associates	**52**	42
Purchase of property, plant and equipment	**(680)**	(787)
Purchase of intangibles	**(57)**	(81)
Sale of property, plant and equipment	**12**	23
Purchase of subsidiaries, joint ventures and associates	**(84)**	(208)
Sale of subsidiaries, joint ventures and associates	**6**	1
Interest received	**20**	10
Net cash from investing activities	**(731)**	(1,000)
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(4)**	(4)
Dividends paid to equity shareholders	**(358)**	(327)
Interest paid	**(43)**	(50)
Decrease in short-term loans	**(263)**	(111)
Increase in long-term loans	**2**	19
Decrease/(increase) in current asset investments	**1**	(30)
Purchase of shares in subsidiary undertaking from non-controlling interests	**(1)**	(1)
Sale of shares in subsidiary undertakings to non-controlling interests	**–**	1
Movements from changes in own shares held	**(25)**	(30)
Net cash from financing activities	**(691)**	(533)
Net increase/(decrease) in cash and cash equivalents	**87**	(103)
Cash and cash equivalents at the beginning of the period	**1,271**	1,386
Effect of movements in foreign exchange	**–**	(12)
Cash and cash equivalents at the end of the period	**1,358**	1,271

Consolidated statement of changes in equity

for the 52 weeks ended 14 September 2019

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 16 September 2017		45	175	456	(31)	7,694	8,339	73	8,412
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	1,007	1,007	15	1,022
Remeasurements of defined benefit schemes		–	–	–	–	310	310	–	310
Deferred tax associated with defined benefit schemes		–	–	–	–	(53)	(53)	–	(53)
Items that will not be reclassified to profit or loss		–	–	–	–	257	257	–	257
Effect of movements in foreign exchange		–	–	(83)	–	–	(83)	(2)	(85)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(10)	–	–	(10)	–	(10)
Deferred tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	(1)	56	–	55	–	55
Deferred tax associated with movement in cash flow hedging position		–	–	–	(12)	–	(12)	–	(12)
Items that are or may be subsequently reclassified to profit or loss		–	–	(93)	44	–	(49)	(2)	(51)
Other comprehensive income		–	–	(93)	44	257	208	(2)	206
Total comprehensive income		–	–	(93)	44	1,264	1,215	13	1,228
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(327)	(327)	–	(327)
Net movement in own shares held		–	–	–	–	(11)	(11)	–	(11)
Deferred tax associated with share-based payments		–	–	–	–	(1)	(1)	–	(1)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(5)	(5)
Acquisition and disposal of non-controlling interests		–	–	–	–	(4)	(4)	4	–
Total transactions with owners		–	–	–	–	(343)	(343)	(1)	(344)
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	878	878	18	896
Remeasurements of defined benefit schemes		–	–	–	–	(407)	(407)	–	(407)
Deferred tax associated with defined benefit schemes		–	–	–	–	68	68	–	68
Current tax associated with defined benefit schemes		–	–	–	–	2	2	–	2
Items that will not be reclassified to profit or loss		–	–	–	–	(337)	(337)	–	(337)
Effect of movements in foreign exchange		–	–	42	–	–	42	1	43
Net gain on hedge of net investment in foreign subsidiaries		–	–	3	–	–	3	–	3
Movements in foreign exchange on businesses disposed		–	–	(3)	–	–	(3)	–	(3)
Movement in cash flow hedging position		–	–	–	(29)	–	(29)	–	(29)
Deferred tax associated with movement in cash flow hedging position		–	–	–	7	–	7	–	7
Share of other comprehensive income of joint ventures and associates		–	–	4	–	–	4	–	4
Effect of hyperinflationary economies		–	–	–	–	38	38	–	38
Deferred tax associated with hyperinflationary economies		–	–	–	–	(2)	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	46	(22)	36	60	1	61
Other comprehensive income		–	–	46	(22)	(301)	(277)	1	(276)
Total comprehensive income		–	–	46	(22)	577	601	19	620
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(358)	(358)	–	(358)
Net movement in own shares held		–	–	–	–	(3)	(3)	–	(3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(4)	(4)
Acquisition and disposal of non-controlling interests		–	–	–	–	1	1	(2)	(1)
Total transactions with owners		–	–	–	–	(360)	(360)	(6)	(366)
Balance as at 14 September 2019		**45**	**175**	**409**	**(9)**	**8,832**	**9,452**	**98**	**9,550**

Significant accounting policies

for the 52 weeks ended 14 September 2019

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 14 September 2019 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interest in joint ventures and associates.

The consolidated financial statements were authorised for issue by the directors on 5 November 2019.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS').

The Company has elected to prepare its parent company financial statements under Financial Reporting Standard 101 *Reduced Disclosure Framework*. These are presented on pages 176 to 182.

Basis of preparation

The going concern basis has been applied in these accounts. The consolidated financial statements are presented in sterling, rounded to the nearest million. They are prepared on the historical cost basis except that current biological assets and certain financial instruments are stated at fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements under Adopted IFRS requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on experience. Actual results may differ from these estimates. Judgements made by management in the application of Adopted IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment next year, are discussed in Accounting estimates and judgements detailed on page 131.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised from the period in which the estimates are revised.

The accounting policies set out below have been applied to all periods presented, except where detailed otherwise.

Details of new accounting standards which came into force in the year are set out at the end of this note.

The consolidated financial statements of the group are prepared to the Saturday nearest to 15 September. Accordingly, these financial statements have been prepared for the 52 weeks ended 14 September 2019 (2018 – 52 weeks ended 15 September 2018). To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint ventures and associates are included up to 31 August each year. Adjustments are made as appropriate for significant transactions or events occurring between 14 September and these other balance sheet dates.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 49. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 50 to 52. In addition, the Principal risks and uncertainties on pages 62 to 66 and note 25 on pages 154 to 166 provide details of the group's policy on managing its financial and commodity risks.

The group has considerable financial resources, good access to debt markets, a diverse range of businesses and a wide geographic spread. It is therefore well-placed to manage business risks successfully.

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiaries from the date that control commences to the date that control ceases. The consolidated financial statements also include the group's share of the after-tax results, other comprehensive income and net assets of its joint ventures and associates on an equity-accounted basis from the point at which joint control or significant influence respectively commences, to the date that it ceases.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to direct the activities of an entity so as to affect significantly the returns of that entity.

Changes in the group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity.

All the group's joint arrangements are joint ventures, which are entities over whose activities the group has joint control, typically established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates are those entities in which the group has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but which does not amount to control or joint control.

Where the group's share of losses exceeds its interest in a joint venture or associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an investee.

Control, joint control and significant influence are generally assessed by reference to equity shareholdings and voting rights.

Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the group. Provisional fair values are finalised within 12 months of the business combination date and, where significant, are adjusted by restatement of the comparative period in which the acquisition occurred. Non-controlling interests are measured at the proportionate share of the net identifiable assets acquired.

Existing equity interests in the acquiree are remeasured to fair value as at the date of the business combination, with any resulting gain or loss taken to the income statement.

Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include transaction costs, which are expensed as incurred. Contingent consideration is measured at fair value at the date of the business combination, classified as a liability or equity (usually as a liability), and subsequently accounted for in line with that classification. Changes in contingent consideration classified as a liability resulting other than from the finalisation of provisional fair values are accounted for in the income statement.

Revenue
Revenue represents the value of sales made to customers after deduction of discounts, sales taxes and a provision for returns. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar items. Revenue does not include sales between group companies.

In the 2018 financial year, revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer and when it can be measured reliably.

In the 2019 financial year, revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

In the food businesses, revenue from the sale of goods is generally recognised on dispatch or delivery to customers, dependent on shipping terms. Discounts and returns are provided for as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations, historical trends and past experience.

In the retail business, revenue from the sale of goods is recognised when the customer purchases goods in store. Returns are provided for as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account historical trends and past experience.

Borrowing costs
Borrowing costs are accounted for using the effective interest method. The group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying items of property, plant and equipment as part of their cost. Interest capitalised is taxed under current or deferred tax as appropriate.

Exceptional items
Exceptional items are defined as items of income and expenditure which are material and unusual in nature and are considered to be of such significance that they require separate disclosure on the face of the income statement.

Adjusted profit and earnings measures
Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets and exceptional items. Adjusted profit before tax is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses. Both measures are shown on the face of the income statement.

Adjusted earnings and adjusted earnings per share are shown in the notes and are stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses together with the related tax effect.

Items as defined above which arise in the group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted operating profit and adjusted profit before tax. These items are identified in the relevant notes.

Constant currency
Constant currency is derived by translating the prior year results at current year average exchange rates, except for countries where consumer price inflation (CPI) has escalated to extreme levels, in which case actual exchange rates are used. There are currently two countries where the group has operations which are experiencing extreme levels of CPI – Argentina and Venezuela.

Foreign currencies
In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date. Any resulting differences are taken to the income statement.

On consolidation, assets and liabilities of foreign operations that are denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. Income and expense items are translated into sterling at average rates of exchange.

Differences arising from the retranslation of opening net assets of group companies, together with differences arising from the restatement of the net results of group companies from average rates to rates at the balance sheet date, are taken to the translation reserve in equity.

Pensions and other post-employment benefits
The group's pension arrangements comprise defined benefit plans, defined contribution plans and other unfunded post-employment liabilities. For defined benefit plans, the amount charged in the income statement is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members by the group during the year. It also includes net interest expense or income calculated by applying the liability discount rate to the net pension asset or liability. For each plan, the difference between market value of assets and present value of liabilities is disclosed as an asset or liability in the balance sheet.

Any related deferred tax (to the extent recoverable) is disclosed separately in the balance sheet. Remeasurements are recognised immediately in other comprehensive income. Surpluses are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately as remeasurements in other comprehensive income.

Contributions payable by the group in respect of defined contribution plans are charged to operating profit as incurred. Other unfunded post-employment liabilities are accounted for in the same way as defined benefit pension plans.

Share-based payments
The fair value of share awards at grant date is recognised as an employee expense with a corresponding increase in equity, spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect expected and actual levels of vesting except where the failure to vest is as a result of not meeting a market condition.

Income tax
Income tax on 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 taken directly to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability 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 following temporary differences are not provided for: initial recognition of goodwill; initial recognition of assets or liabilities affecting neither accounting nor taxable profit other than those acquired in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred 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 substantively enacted at the balance sheet date.

A deferred 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 utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Financial assets and liabilities
Financial assets and liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provision of the instrument.

Trade and other receivables
Trade and other receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts was recognised under an 'incurred loss' model until 15 September 2018 and therefore it was dependent upon the existence of an impairment event. From 16 September 2018, the allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

Other non-current receivables
Other non-current receivables mainly comprise finance lease receivables due from a joint venture and minority shareholdings in private companies. Finance lease receivables are accounted for in the same way as trade and other receivables. Shareholdings in private companies are classified as "fair value through other comprehensive income". They are initially measured at fair value, including directly attributable transaction costs.

Gains or losses arising from changes in fair value are recognised in other comprehensive income until the asset is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is included directly in retained earnings and is not recycled to the income statement.

Until 15 September 2018, equity investments that did not have a quoted market price in an active market and whose fair value could not be reliably measured by other means were held at cost. From 16 September 2018, all equity investments must be measured at fair value under IFRS 9.

Bank and other borrowings
Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other borrowings are initially measured at fair value net of direct issue costs and are subsequently held at amortised cost unless the loan is designated in a hedge relationship, in which case hedge accounting treatment will apply.

Trade payables
Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

Cash and cash equivalents
Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Derivatives financial instruments and hedging
Derivatives are used to manage the group's economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts, futures, swaps or options (the 'hedging instrument'). The group does not use derivatives for speculative purposes.

Derivatives are recognised in the balance sheet at fair value, based on market prices or rates, or calculated using either discounted cash flow or option pricing models.

Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting, when recognition of any change in fair value depends on the nature of the item being hedged.

The purpose of hedge accounting is to mitigate the impact on the group's income statement of changes in foreign exchange or interest rates and commodity prices, by matching the impact of the hedged risk and the hedging instrument in the income statement.

At the inception of a hedging relationship, the hedging instrument and the hedged item are documented, along with the risk management objectives and strategy for undertaking various hedge transactions and prospective effectiveness testing is performed.

During the life of the hedging relationship, prospective effectiveness testing is performed (previously, both prospective and retrospective tests were required) to ensure the instrument remains an effective hedge of the transaction.

Changes in the value of derivatives used as hedges of future cash flows are recognised through other comprehensive income in the hedging reserve.

From 16 September 2018, the element of the change in fair value which relates to the currency spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve (in the period before 16 September 2018, the entire change in fair value was recognised in the hedging reserve) and any ineffective portion is recognised immediately in the income statement.

When the future cash flow results in the recognition of a non-financial asset or liability, then at the time the asset or liability is recognised, the related gains and losses previously recognised in the hedging reserve are included in the initial measurement of that asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts recorded in the hedging reserve are recognised in the income statement in the same period in which the hedged item affects profit or loss.

Hedges of the group's net investment in foreign operations principally comprise borrowings in the currency of the investment's net assets.

Changes in the fair value of derivative or non-derivative financial instruments that are designated and effective as hedges of net investments are recognised in other comprehensive income in the net investment hedging reserve. Any ineffective portion is recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the income statement.

The group economically hedges foreign currency exposure on recognised monetary assets and liabilities but does not normally seek hedge accounting. Any derivatives that the group holds to hedge this exposure are classified as 'fair value through profit and loss' within derivative assets and liabilities. Changes in the fair value of such derivatives and the foreign exchange gains and losses arising on the related monetary items are recognised within operating profit.

Intangible assets other than goodwill

Non-operating intangible assets are intangible assets that arise on business combinations and typically include technology, brands, customer relationships and grower agreements. Operating intangible assets are acquired in the ordinary course of business and typically include computer software, land use rights and emissions trading licences.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment charges.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are generally deemed to be no longer than:

Technology and brands – up to 15 years
Customer relationships – up to 10 years
Grower agreements – up to 10 years

Goodwill

Goodwill is defined under 'Business combinations' on page 124. Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies.

Goodwill is not amortised but is subject to an annual impairment review.

Research and development

Research expenditure is expensed as incurred. Development expenditure is capitalised if the product or process is technically and commercially feasible but is otherwise expensed as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

Impairment

The carrying amounts of the group's intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, and intangibles without a finite life, the recoverable amount is estimated at least annually.

An impairment charge is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment charges.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful economic lives of items of property, plant and equipment sufficient to reduce them to estimated residual value. Land is not depreciated. Estimated useful economic lives are generally deemed to be no longer than:

Freehold buildings	up to 66 years
Plant and equipment, fixtures and fittings	
– sugar factories, yeast plants, mills and bakeries	up to 20 years
– other operations	up to 12 years
Vehicles	up to 10 years
Sugar cane roots	up to 10 years

Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period of time.

Where the group is a lessee and has substantially all the risks and rewards of ownership of an asset, the arrangement is considered a finance lease. Finance leases are recognised as assets of the group within property, plant and equipment at the inception of the lease at the lower of fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the income statement. Other leases where the group is a lessee are treated as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease, as is the benefit of lease incentives.

Where the group is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Current biological assets
Current biological assets are measured at fair value less costs to sell.

The basis of valuation for growing cane is estimated sucrose content valued at estimated sucrose price for the following season, less estimated costs for harvesting and transport.

When harvested, growing cane is transferred to inventory at fair value less costs to sell.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses and an appropriate proportion of production and other overheads, calculated on a first-in first-out basis.

Inventories for the retail businesses are valued at the lower of cost and net realisable value using the retail method, calculated on the basis of selling price less appropriate trading margin. All retail inventories are finished goods.

Inventories recorded on the acquisition of a business are recognised at fair value. The book value of such inventories is charged to adjusted operating profit as they are sold or used. Any fair value uplift, if significant, is charged below operating profit as the inventories are sold or used.

Hyperinflation
The Argentinian economy was designated hyperinflationary from 1 July 2018. The group concluded this had an insignificant impact for the 2018 financial year but has applied IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Argentinian operations from the beginning of the 2019 financial year. IAS 29 requires that hyperinflationary adjustments are reflected from the start of the reporting period in which it is applied. For the group's Argentinian operations this is 1 September 2018. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, the comparative figures for 2018 have not been modified. The adjustments required by IAS 29 are set out below.

- Adjustment of historical cost non-monetary assets and liabilities from their date of initial recognition to the balance sheet date to reflect the changes in purchasing power of the currency caused by inflation, according to the official indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency.
- The financial statements of the group's Argentinian operations have been translated into sterling at the closing exchange rate at 14 September 2019 (ARS69.99:£1).
- The cumulative impact corresponding to previous years has been reflected in other comprehensive income in the period.

The FACPCE index was 155.1034 at 31 August 2018 and 239.6077 at 31 August 2019. The inflation index for the year is therefore 1.5448.

The Venezuelan economy has been designated hyperinflationary for a number of years, but the impact on the group's results remains immaterial.

New accounting policies
The following accounting standards and amendments were adopted during the year and had no significant impact on the group, except as further described below:

- IFRS 9 *Financial Instruments: Classification and Measurement*
- IFRS 15 *Revenue from Contracts with Customers*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
- *Annual Improvements to IFRS Standards 2014 – 2016*

The two most significant new standards are IFRS 9 and IFRS 15, further details of which are set out below.

IFRS 9 *Financial Instruments*
IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The standard introduces changes to three key areas:

- new requirements for the classification and measurement of financial instruments;
- a new impairment model based on expected credit losses for recognising provisions (compared to IAS 39, which used an incurred loss model); and
- simplified hedge accounting through closer alignment with an entity's risk management methodology.

Financial assets are classified using a principles-based approach in three measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. Classification is performed on initial recognition of the asset based on the characteristics of the asset and the local business model. The vast majority of the group's financial assets were previously recorded at amortised cost and this continues to be the case.

For financial liabilities, there are no significant classification and measurement changes compared to IAS 39.

The new principles for hedge accounting provide a more flexible framework which is better aligned with the economic decision-making of the group. This should result in the group being able to achieve hedge accounting in the future on a wider range of transactions than was possible under IAS 39. The IAS 39 effectiveness test has been replaced with the 'economic relationship' principle. Retrospective assessment of hedge effectiveness is no longer necessary. IFRS 9 also requires additional disclosures concerning risk management and the effects of hedge accounting.

The group previously completed a groupwide impact assessment across these three key areas, supported by external resource, involving each of the group's businesses. As a result of this assessment, the group concluded that the adoption of IFRS 9 would not have a significant impact on either the group's results or financial position.

IFRS 9 applies retrospectively, but with substantial transition provisions, including not being required to restate comparative information.

The group adopted IFRS 9 on 16 September 2018 and has applied it for the first time in the 2019 financial year, without restating comparative information. No cumulative adjustment to recognise the impact of applying IFRS 9 as at 16 September 2018 was required.

Further details on the implementation of IFRS 9 are given in note 25 k).

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 *Revenue* and other related requirements.

IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

Step 1	Identify the contract(s) with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligations in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

The group previously completed a groupwide impact assessment, utilising external resource to support local management where necessary. The assessment included areas that required additional specific consideration, including rights of return and principal vs agent considerations. The group's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale and little significant judgement required in determining the timing of transfer of control.

The impact assessment concluded that IFRS 15 would result in no change to the timing of revenue or the timing or amount of profit recognised. The only effect on the amount of revenue recognised was £31m of operating expenses in the prior year which under IFRS 15 are now deducted from revenue.

The group adopted IFRS 15 on 16 September 2018 and has applied it for the first time in the 2019 financial year. IFRS 15 was adopted retrospectively without the requirement to restate comparative information. IFRS 15 had no impact on the group's reported profits. No cumulative adjustment to recognise the impact of applying IFRS 15 as at 16 September 2018 was required.

The group is assessing the impact of the following standards, interpretations and amendments that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU, the adoption date is less certain:

- IFRS 16 *Leases* effective 2020 financial year
- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 2020 financial year
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 2020 financial year
- Amendments to IAS 1 *Presentation of Financial Statements* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* effective 2020 financial year
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 2020 financial year
- *Amendments to References to the Conceptual Framework in IFRS Standards* effective 2021 financial year (not yet endorsed by the EU)
- *Annual Improvements to IFRS Standards 2015 – 2017* effective 2020 financial year

The new standard with the most significant effect on the group's financial statements is IFRS 16, further details of which are set out below. The impact of the other standards effective in 2020 and beyond have not yet been fully assessed.

IFRS 16 *Leases*

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 *Leases* and other related requirements. The group adopted IFRS 16 on 15 September 2019 and will apply it for the first time in the 2020 financial year.

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

The group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit committee. During the current period, the group largely completed its implementation project.

IFRS 16 permits a choice of transitional approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach where the cumulative effect of initial application is recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio means that it would either be impossible or extremely costly and difficult to collate sufficient information to apply the fully retrospective approach. The group has therefore determined to adopt the modified retrospective approach.

The first results published under IFRS 16 will be the 2020 interim results.

Impact on the group's results and financial position

The impact of IFRS 16 on the group's results and financial position is significant.

Lease liabilities are measured initially at the present value of lease payments yet to be paid, subsequently adjusted for interest and lease payments as well as a number of other changes to lease provisions. Lease liabilities are included in net debt.

Right-of-use assets are measured initially at cost (including the value of the lease liability) and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are reported as non-current assets.

There is no change to overall cash flows. Operating lease payments were previously presented as operating cash flows and finance lease payments were allocated between payments of principal and interest within financing cash flows. Under IFRS 16, lease payments are split between payments of principal and interest, presented as financing cash flows.

Operating lease expenses previously charged to operating profit will be replaced by depreciation of right-of-use assets (within operating profit) and interest cost (within finance expense). Although the aggregate income statement impact of each lease over its life will not change, the generally straight-line profile of operating lease expense will be more front-loaded under IFRS 16 because of the interest charge on the lease liability.

The changes set out below to the group's assets and liabilities will be recorded from the transition date of 15 September 2019 in the 2020 financial year. The change will be charged against opening equity, firstly in the 2020 interim report and subsequently in the 2020 annual report.

	Transition adjustment £bn
Non-current assets (recognition of right-of-use assets, partially offset by reclassifications from property, plant and equipment)	3.1
Net current assets (primarily removal of lease incentives from accruals)	0.2
Net debt	(3.6)
Deferred tax	0.1
Impact on net assets	(0.2)

IFRS 16 affects a number of other financial statement captions and ratios, including the following:

Item	Comment
Earnings	Based on our impact assessment, the group expects a marginal impact on earnings. There will be a consequent marginal impact on dividend cover.
Operating profit/ operating margin	Operating profit and operating margin are expected to increase significantly as operating lease expenses are replaced by the depreciation of right-of-use assets.
Finance expense	Finance expense is expected to increase significantly as a result of the interest cost on lease liabilities. Interest cover will therefore reduce.
Taxation	Taxation will change in line with the changes in profit before tax.
Net debt	Net debt will increase very significantly as lease liabilities are recorded within current and non-current liabilities. Gearing ratios will therefore increase. The reconciliation of net debt will include more non-cash items as new leases are entered into.
Return on capital employed	The return on capital employed will reduce as a result of the changes to operating profit and non-current assets.
Cash flow statement	There is no overall impact on cash flow, but classifications of cash flows will change, as set out above.

The group will reassess its incentive arrangements to align targets with the new accounting requirements.

IFRS 16 has the most significant impact on the Retail segment given the number of significant store leases to which Primark is a party.

The group's current leasing disclosures are given in note 26 of this annual report.

Accounting estimates and judgements

for the 52 weeks ended 14 September 2019

In applying the accounting policies detailed on pages 124 to 130, management has made estimates in a number of areas and the actual outcome may differ from those calculated. Key sources of estimation uncertainty at the balance sheet date, with the potential for material adjustment to the carrying value of assets and liabilities within the next financial year, are set out below.

Forecasts and discount rates

The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from the group's operations which, in some circumstances, are discounted to arrive at a net present value.

Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The group recognises deferred tax assets to the extent that it is considered probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer considered probable that the related tax benefit will be realised.

Post-retirement benefits

The group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The accounting valuation, which has been assessed using assumptions determined with independent actuarial advice, resulted in a net asset of £33m being recognised as at 14 September 2019. The size of this net asset is sensitive to the market value of the assets held by the schemes, to the discount rate used in assessing liabilities, to the actuarial assumptions (which include price inflation, rates of pension and salary increases, mortality and other demographic assumptions) and to the level of contributions. Further details are included in note 11.

Adoption of IFRS 16 *Leases*

The group has a significant volume of high value leases, especially in the Retail segment. Adoption of IFRS 16 has required management to make a number of judgements and estimates. These include the identification of lease arrangements required to be capitalised, consistent and reasonable assessment of the accounting lease term, and the derivation of appropriate discount rates to apply to gross lease obligations.

Biological assets

In valuing growing cane, estimating sucrose content requires management to assess expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. Estimating sucrose price requires management to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 16.

Taxation

The group makes provision for open tax issues including, in a number of jurisdictions, routine tax audits which are by nature complex and can take a number of years to resolve. Provisions are based on management's interpretation of tax law in each country and ongoing monitoring of the outcome of EU cases and investigations on tax rulings, and reflect the best estimate of the liability. The group believes it has made adequate provision for such matters.

1. Operating segments

The group has five operating segments, as described below. These are the group's operating divisions, based on the management and internal reporting structure, which combine businesses with common characteristics, primarily in respect of the type of products offered by each business, but also the production processes involved and the manner of the distribution and sale of goods. The board is the chief operating decision-maker.

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents, current asset investments and income tax assets. Segment liabilities comprise trade and other payables, derivative liabilities and provisions.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, operating intangibles and biological assets.

Businesses disposed are shown separately and comparatives have been re-presented for businesses sold or closed during the year.

The group is comprised of the following operating segments:

Grocery
The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, balsamic vinegars, bread & baked goods, cereals, ethnic foods, and meat products, which are sold to retail, wholesale and foodservice businesses.

Sugar
The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the Grocery segment.

Agriculture
The manufacture of animal feeds and the provision of other products and services for the agriculture sector.

Ingredients
The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts and cereal specialities.

Retail
Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information
In addition to the required disclosure for operating segments, disclosure is also given of certain geographical information about the group's operations, based on the geographical groupings: United Kingdom; Europe & Africa; The Americas; and Asia Pacific.

Revenues are shown by reference to the geographical location of customers. Profits are shown by reference to the geographical location of the businesses. Segment assets are based on the geographical location of the assets.

	Revenue		Adjusted operating profit	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Operating segments				
Grocery	**3,521**	3,420	**380**	335
Sugar	**1,608**	1,730	**26**	123
Agriculture	**1,385**	1,350	**42**	59
Ingredients	**1,515**	1,459	**136**	143
Retail	**7,792**	7,477	**913**	843
Central	**–**	–	**(76)**	(64)
	15,821	15,436	**1,421**	1,439
Businesses disposed:				
Sugar	**–**	128	**–**	(34)
Agriculture	**–**	1	**–**	(1)
Ingredients	**3**	9	**–**	–
	15,824	15,574	**1,421**	1,404
Geographical information				
United Kingdom	**5,971**	5,863	**476**	557
Europe & Africa	**5,992**	5,851	**589**	528
The Americas	**1,609**	1,525	**237**	206
Asia Pacific	**2,249**	2,197	**119**	148
	15,821	15,436	**1,421**	1,439
Businesses disposed:				
United Kingdom	**–**	66	**–**	(34)
Europe & Africa	**–**	62	**–**	–
The Americas	**3**	9	**–**	–
Asia Pacific	**–**	1	**–**	(1)
	15,824	15,574	**1,421**	1,404

1. Operating segments continued

For the 52 weeks ended 14 September 2019

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,525	1,667	1,388	1,690	7,792	(241)	15,821
Internal revenue	(4)	(59)	(3)	(175)	–	241	–
External revenue from continuing businesses	3,521	1,608	1,385	1,515	7,792	–	15,821
Businesses disposed	–	–	–	3	–	–	3
Revenue from external customers	3,521	1,608	1,385	1,518	7,792	–	15,824
Adjusted operating profit before joint ventures and associates	347	26	30	122	913	(76)	1,362
Share of profit after tax from joint ventures and associates	33	–	12	14	–	–	59
Adjusted operating profit	380	26	42	136	913	(76)	1,421
Profits less losses on disposal of non-current assets	3	–	1	–	–	–	4
Amortisation of non-operating intangibles	(40)	–	(2)	(5)	–	–	(47)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Transaction costs	(1)	–	–	(1)	–	–	(2)
Exceptional items	(65)	–	–	–	–	(14)	(79)
Profits less losses on sale and closure of businesses	4	–	(3)	(95)	–	–	(94)
Profit before interest	266	26	38	35	913	(90)	1,188
Finance income						15	15
Finance expense						(42)	(42)
Other financial income						12	12
Taxation						(277)	(277)
Profit for the period	266	26	38	35	913	(382)	896
Segment assets (excluding joint ventures and associates)	2,732	2,083	408	1,422	4,775	129	11,549
Investments in joint ventures and associates	45	26	135	69	–	–	275
Segment assets	2,777	2,109	543	1,491	4,775	129	11,824
Cash and cash equivalents						1,495	1,495
Current asset investments						29	29
Income tax						24	24
Deferred tax assets						160	160
Employee benefits assets						228	228
Segment liabilities	(540)	(388)	(137)	(278)	(1,476)	(184)	(3,003)
Loans and overdrafts						(588)	(588)
Income tax						(163)	(163)
Deferred tax liabilities						(261)	(261)
Employee benefits liabilities						(195)	(195)
Net assets	2,237	1,721	406	1,213	3,299	674	9,550
Non-current asset additions	132	98	14	93	382	13	732
Depreciation	(96)	(79)	(12)	(51)	(303)	(3)	(544)
Amortisation	(53)	(2)	(3)	(7)	(2)	(1)	(68)
Impairment of goodwill on sale and closure of businesses	–	–	(3)	(56)	–	–	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	–	–	(32)

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,971	5,992	1,612	2,249	15,824
Segment assets	4,406	4,842	1,194	1,382	11,824
Non-current asset additions	255	345	57	75	732
Depreciation	(191)	(247)	(45)	(61)	(544)
Amortisation	(41)	(16)	(4)	(7)	(68)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of goodwill on sale and closure of businesses	(3)	–	–	(56)	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	(32)
Transaction costs	–	(1)	(1)	–	(2)
Exceptional items	(79)	–	–	–	(79)

Segment disclosures given above are stated before reclassification of assets and liabilities classified as held for sale (see note 14).

1. Operating segments continued
For the 52 weeks ended 15 September 2018

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,423	1,821	1,354	1,640	7,477	(279)	15,436
Internal revenue	(3)	(91)	(4)	(181)	–	279	–
External revenue from continuing businesses	3,420	1,730	1,350	1,459	7,477	–	15,436
Businesses disposed	–	128	1	9	–	–	138
Revenue from external customers	3,420	1,858	1,351	1,468	7,477	–	15,574
Adjusted operating profit before joint ventures and associates	306	121	47	129	843	(64)	1,382
Share of profit after tax from joint ventures and associates	29	2	12	14	–	–	57
Businesses disposed	–	(34)	(1)	–	–	–	(35)
Adjusted operating profit	335	89	58	143	843	(64)	1,404
Profits less losses on disposal of non-current assets	4	2	–	–	–	–	6
Amortisation of non-operating intangibles	(36)	–	(1)	(4)	–	–	(41)
Acquired inventory fair value adjustments	(23)	–	–	–	–	–	(23)
Transaction costs	(1)	–	–	(1)	–	–	(2)
Profits less losses on sale and closure of businesses	–	(11)	1	(2)	–	(22)	(34)
Profit before interest	279	80	58	136	843	(86)	1,310
Finance income						15	15
Finance expense						(50)	(50)
Other financial income						4	4
Taxation						(257)	(257)
Profit for the period	279	80	58	136	843	(374)	1,022
Segment assets (excluding joint ventures and associates)	2,702	2,090	414	1,396	4,556	110	11,268
Investments in joint ventures and associates	41	25	134	66	–	–	266
Segment assets	2,743	2,115	548	1,462	4,556	110	11,534
Cash and cash equivalents						1,362	1,362
Current asset investments						30	30
Income tax						54	54
Deferred tax assets						133	133
Employee benefits assets						579	579
Segment liabilities	(530)	(429)	(140)	(275)	(1,382)	(234)	(2,990)
Loans and overdrafts						(778)	(778)
Income tax						(160)	(160)
Deferred tax liabilities						(324)	(324)
Employee benefits liabilities						(144)	(144)
Net assets	2,213	1,686	408	1,187	3,174	628	9,296
Non-current asset additions	148	141	19	63	533	12	916
Depreciation	(99)	(81)	(13)	(49)	(264)	(3)	(509)
Amortisation	(48)	(4)	(1)	(6)	(5)	(1)	(65)
Impairment of property, plant and equipment on sale and closure of businesses	–	(14)	–	–	–	–	(14)

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,929	5,913	1,534	2,198	15,574
Segment assets	4,460	4,610	1,079	1,385	11,534
Non-current asset additions	418	375	57	66	916
Depreciation	(204)	(202)	(43)	(60)	(509)
Amortisation	(36)	(17)	(6)	(6)	(65)
Acquired inventory fair value adjustments	–	(23)	–	–	(23)
Impairment of property, plant and equipment on sale and closure of businesses	(14)	–	–	–	(14)
Transaction costs	(1)	–	–	(1)	(2)

2. Operating costs

	Note	2019 £m	2018 £m
Operating costs			
Cost of sales (including amortisation of intangibles)		**12,187**	11,990
Distribution costs		**1,356**	1,356
Administration expenses		**981**	944
Exceptional items		**79**	–
		14,603	14,290
Operating costs are stated after charging/(crediting):			
Employee benefits expense	3	**2,758**	2,668
Amortisation of non-operating intangibles	8	**45**	38
Amortisation of operating intangibles	8	**23**	27
Acquired inventory fair value adjustments		**15**	23
Profits less losses on disposal of non-current assets		**(4)**	(6)
Depreciation of property, plant and equipment	9	**544**	509
Transaction costs		**2**	2
Effect of hyperinflationary economies		**6**	–
Operating lease payments under property leases		**310**	294
Operating lease payments for hire of plant and equipment		**20**	15
Other operating income		**(18)**	(18)
Research and development expenditure		**30**	26
Fair value gains on financial assets and liabilities held for trading		**(11)**	(23)
Fair value losses on financial assets and liabilities held for trading		**12**	17
Foreign exchange gains on operating activities		**(46)**	(45)
Foreign exchange losses on operating activities		**47**	57

Transaction costs of £2m and amortisation of non-operating intangibles of £47m (2018 – £2m and £41m) shown as adjusting items in the income statement, include £nil and £2m respectively (2018 – £nil and £3m respectively) incurred by joint ventures, in addition to the amounts shown above.

Exceptional items

Guaranteed Minimum Pensions

The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pensions Scheme between 6 April 1978 and 5 April 1997.

On 26 October 2018, the High Court of Justice of England and Wales ruled that GMPs must be equalised in respect of retirement ages for men and women for all pensionable service after 17 May 1990. This affects the group's UK defined benefit scheme and the ruling set out a number of methodologies that could be used to calculate the impact. The group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement with subsequent changes accounted for in other comprehensive income. The past service cost is treated as an exceptional item since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance.

The increase in liabilities is estimated at £14m, assessed using market conditions at the date of the ruling as required by IAS 19.

Impairment

In the 2018 Annual Report, it was noted that low bread prices and strong continuing competition in the UK bakery market had led to an operating loss at Allied Bakeries and the consequent need for an assessment of impairment. Headroom at that time was £113m on a cash-generating unit (CGU) carrying value of £243m.

In December 2018, subsequent to the publication of the 2018 Annual Report, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This is expected to result in a significant reduction in bread volumes from late in the 2019 calendar year, with limited opportunity to mitigate this volume loss in the short term.

As set out in previous annual reports, the board has been concerned about the worsening trend in the performance of Allied Bakeries and the difficulty in recovering cost increases in a highly competitive market. In light of the termination of the private label contract mentioned above, management is considering courses of action to return the business to profitability.

Of the methodologies available to calculate the impairment, the group has applied the "fair value less costs of disposal" approach to identify its best estimate of the impairment. The key assumptions used in this assessment are similar to those in previous year end impairment assessments – bread volumes, bread prices and long-term growth in the market, as well as logistical and other savings from restructuring. The discount rate used was 10.9%.

This assessment resulted in a shortfall of £65m compared to the CGU carrying value of £243m. A charge for this has been included as an exceptional item in the income statement and has been allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

2. Operating costs continued

Auditor's remuneration	2019 £m	2018 £m
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	**1.3**	0.8
Audit of the Company's subsidiaries' financial statements	**6.5**	6.8
Total audit remuneration	**7.8**	7.6
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	**0.4**	0.4
All other services	**0.4**	0.2
Total non-audit related remuneration	**0.8**	0.6

3. Employees

	2019	2018
Average number of employees		
United Kingdom	**48,011**	48,712
Europe & Africa	**71,922**	70,074
The Americas	**5,640**	5,686
Asia Pacific	**12,524**	12,542
	138,097	137,014

	Note	£m	£m
Employee benefits expense			
Wages and salaries		**2,298**	2,243
Social security contributions		**304**	286
Contributions to defined contribution schemes	11	**80**	77
Charge for defined benefit schemes	11	**54**	43
Equity-settled share-based payment schemes	23	**22**	19
		2,758	2,668

Details of directors' remuneration, share incentives and pension entitlements are shown in the Remuneration report on pages 83 to 106.

4. Interest and other financial income and expense

	Note	2019 £m	2018 £m
Finance income			
Cash and cash equivalents		**15**	15
		15	15
Finance expense			
Bank loans and overdrafts		**(24)**	(27)
All other borrowings		**(16)**	(21)
Finance leases		**(1)**	(1)
Other payables		**(1)**	(1)
		(42)	(50)
Other financial income/(expense)			
Interest income on employee benefit scheme assets	11	**116**	107
Interest charge on employee benefit scheme liabilities	11	**(102)**	(103)
Interest charge on irrecoverable surplus	11	**(1)**	(1)
Net financial income from employee benefit schemes		**13**	3
Net foreign exchange (losses)/gains on financing activities		**(1)**	1
Total other financial income		**12**	4

5. Income tax expense

	2019 £m	2018 £m
Current tax expense		
UK – corporation tax at 19% (2018 – 19%)	**80**	82
Overseas – corporation tax	**229**	200
UK – (over)/under provided in prior periods	**(5)**	8
Overseas – over provided in prior periods	**(1)**	(28)
	303	262
Deferred tax expense		
UK deferred tax	**(7)**	–
Overseas deferred tax	**(11)**	(19)
UK – (over)/under provided in prior periods	**(5)**	15
Overseas – over provided in prior periods	**(3)**	(1)
	(26)	(5)
Total income tax expense in income statement	**277**	257
Reconciliation of effective tax rate		
Profit before taxation	**1,173**	1,279
Less share of profit after tax from joint ventures and associates	**(57)**	(54)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**1,116**	1,225
Nominal tax charge at UK corporation tax rate of 19% (2018 – 19%)	**212**	233
Effect of higher and lower tax rates on overseas earnings	**14**	29
Effect of changes in tax rates on income statement	**(1)**	(16)
Expenses not deductible for tax purposes	**37**	33
Disposal of assets covered by tax exemptions or unrecognised capital losses	**17**	(15)
Deferred tax not recognised	**12**	(1)
Adjustments in respect of prior periods	**(14)**	(6)
	277	257
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**(68)**	53
Current tax associated with defined benefit schemes	**(2)**	–
Deferred tax associated with share-based payments	**–**	1
Deferred tax associated with movement in cash flow hedging position	**(7)**	12
Deferred tax associated with movements in foreign exchange	**–**	(1)
Deferred tax associated with hyperinflationary economies	**2**	–
	(75)	65

The UK corporation tax rate of 19% (2018 –19%) will be reduced to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, UK deferred tax has been calculated using these rates as appropriate.

In April 2019 the European Commission published its decision on the Group Financing Exemption in the UK's controlled foreign company legislation. The Commission found that the UK law did not comply with EU State Aid rules in certain circumstances. The group has arrangements that may be impacted by this decision as might other UK-based multinational groups that had financing arrangements in line with the UK's legislation in force at the time. The UK Government has lodged an appeal against this decision. We have calculated our maximum potential liability to be £26m however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

Deferred taxation balances are analysed in note 12.

6. Dividends

	2019 pence per share	2018 pence per share	2019 £m	2018 £m
2017 final	**–**	29.65	**–**	234
2018 interim	**–**	11.70	**–**	93
2018 final	**33.30**	–	**263**	–
2019 interim	**12.05**	–	**95**	–
	45.35	41.35	**358**	327

The 2019 interim dividend was declared on 24 April 2019 and paid on 5 July 2019. The 2019 final dividend of 34.3p, total value of £271m, will be paid on 10 January 2020 to shareholders on the register on 13 December 2019.

Dividends relating to the period were 46.35p per share totalling £366m (2018 – 45.0p per share totalling £356m).

7. Earnings per share

The calculation of basic earnings per share at 14 September 2019 was based on the net profit attributable to equity shareholders of £878m (2018 – £1,007m), and a weighted average number of shares outstanding during the year of 790 million (2018 – 790 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Ownership Plan Trust on which the dividends are being waived.

Adjusted earnings per ordinary share, which exclude the impact of profits less losses on disposal of non-current assets and the sale and closure of businesses, amortisation of acquired inventory fair value adjustments, transaction costs, amortisation of non-operating intangibles, exceptional items and any associated tax credits, is shown to provide clarity on the underlying performance of the group.

Transaction costs of £2m and amortisation of non-operating intangibles of £47m (2018 – £2m and £41m) shown as adjusting items below include £nil and £2m respectively (2018 – £nil and £3m respectively) incurred by joint ventures.

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 790 million (2018 – 790 million). There is no difference between basic and diluted earnings.

	2019 £m	2018 £m
Adjusted profit for the period	**1,086**	1,066
Disposal of non-current assets	**4**	6
Sale and closure of businesses	**(94)**	(34)
Acquired inventory fair value adjustments	**(15)**	(23)
Transaction costs	**(2)**	(2)
Exceptional items	**(79)**	–
Tax effect on above adjustments	**15**	6
Amortisation of non-operating intangibles	**(47)**	(41)
Tax credit on non-operating intangibles amortisation and goodwill	**10**	29
Profit for the period attributable to equity shareholders	**878**	1,007

	2019 pence	2018 pence
Adjusted earnings per share	**137.5**	134.9
Disposal of non-current assets	**0.5**	0.8
Sale and closure of businesses	**(11.9)**	(4.3)
Acquired inventory fair value adjustments	**(1.9)**	(2.9)
Transaction costs	**(0.3)**	(0.3)
Exceptional items	**(10.0)**	–
Tax effect on above adjustments	**1.9**	0.8
Amortisation of non-operating intangibles	**(6.0)**	(5.2)
Tax credit on non-operating intangibles amortisation and goodwill	**1.3**	3.7
Earnings per ordinary share	**111.1**	127.5

8. Intangible assets

		Non-operating					Operating	
	Goodwill £m	Technology £m	Brands £m	Customer relationships £m	Grower agreements £m	Other £m	Other £m	Total £m
Cost								
At 16 September 2017	1,160	209	388	156	124	6	344	2,387
Acquisitions – externally purchased	–	–	–	–	–	–	98	98
Acquired through business combinations	100	–	5	100	–	–	–	205
Disposal of businesses	(2)	–	–	–	–	–	–	(2)
Other disposals	–	–	–	–	–	–	(9)	(9)
Effect of movements in foreign exchange	(19)	(5)	–	4	(10)	–	(4)	(34)
At 15 September 2018	1,239	204	393	260	114	6	429	2,645
Acquisitions – externally purchased	–	–	–	–	–	–	75	75
Acquired through business combinations	30	–	39	17	–	–	–	86
Disposal of businesses	(8)	–	–	–	–	–	–	(8)
Other disposals	–	–	–	–	–	–	(14)	(14)
Transfer to assets classified as held for sale	–	–	–	–	–	–	(2)	(2)
Effect of hyperinflationary economies	11	–	–	–	–	–	–	11
Effect of movements in foreign exchange	21	3	5	3	8	–	4	44
At 14 September 2019	**1,293**	**207**	**437**	**280**	**122**	**6**	**492**	**2,837**
Amortisation and impairment								
At 16 September 2017	29	209	297	110	124	6	198	973
Amortisation for the year	–	–	19	19	–	–	27	65
Other disposals	–	–	–	–	–	–	(3)	(3)
Effect of movements in foreign exchange	–	(5)	–	(3)	(10)	–	(4)	(22)
At 15 September 2018	29	204	316	126	114	6	218	1,013
Amortisation for the year	–	–	21	24	–	–	23	68
Impairment on sale and closure of business	59	–	–	–	–	–	–	59
Other disposals	–	–	–	–	–	–	(6)	(6)
Effect of movements in foreign exchange	2	3	4	3	8	–	2	22
At 14 September 2019	**90**	**207**	**341**	**153**	**122**	**6**	**237**	**1,156**
Net book value								
At 16 September 2017	1,131	–	91	46	–	–	146	1,414
At 15 September 2018	1,210	–	77	134	–	–	211	1,632
At 14 September 2019	**1,203**	**–**	**96**	**127**	**–**	**–**	**255**	**1,681**

Amortisation of non-operating intangibles of £47m (2018 – £41m) shown as an adjusting item in the income statement includes £2m (2018 – £3m) incurred by joint ventures in addition to the amounts shown above.

Impairment

As at 14 September 2019, the consolidated balance sheet included goodwill of £1,203m (2018 – £1,210m). Goodwill is allocated to the group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill, as follows:

CGU or group of CGUs	Primary reporting segment	Discount rate	**2019 £m**	2018 £m
Acetum	Grocery	13.0%	**94**	94
ACH	Grocery	11.5%	**186**	177
AB Mauri	Ingredients	12.9%	**281**	320
Twinings Ovaltine	Grocery	10.9%	**119**	119
Azucarera	Sugar	11.7%	**24**	24
Illovo	Sugar	22.2%	**117**	110
AB World Foods	Grocery	11.1%	**78**	78
Other (not individually significant)	Various	Various	**304**	288
			1,203	1,210

8. Intangible assets continued

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The carrying value of goodwill is assessed by reference to its value in use to perpetuity reflecting the projected cash flows of each of the CGUs or group of CGUs. These projections are based on the most recent budget, which has been approved by the board and reflects management's expectations of sales growth, operating costs and margin, based on past experience and external sources of information. Long-term growth rates for periods not covered by the annual budget reflect the products, industries and countries in which the relevant CGU, or group of CGUs, operate.

For some recently acquired intangible assets, management expects to achieve growth over the next three to five years in excess of the long-term growth rates for the applicable country or region. In these circumstances, budgeted cash flows are extended, generally to between three and five years, using specific growth assumptions and taking into account the specific business risks.

The key assumptions in the most recent annual budget on which the cash flow projections are based relate to discount rates, growth rates and expected changes in volumes, selling prices and direct costs.

The cash flow projections have been discounted using the group's pre-tax weighted average cost of capital adjusted for country, industry and market risk. The rates used were between 9.2% and 22.2% (2018 – between 9.7% and 18.7%).

The growth rates to perpetuity beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that are significant to the total carrying amount of goodwill, were in a range between 0% and 6%, consistent with the inflation factors included in the discount rates applied (2018 – between 0% and 4%).

Changes in volumes, selling prices and direct costs are based on past results and expectations of future changes in the market.

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates. Each of the group's CGUs had headroom under the annual impairment review.

Conditions were difficult for Azucarera during the year as the EU sugar market continued to adjust to the consequences of the end of the EU sugar regime in 2017, when sugar sales quotas were removed. World market sugar prices continued to be low. Reduced beet prices have been contracted with growers for the 2019/20 campaign, which led to a reduction in contracted beet crop area. Management has again undertaken an impairment review. Detailed forecasts for a period of five years were prepared, to reflect the time required for implementation of the business plan, and management concluded that the assets are not impaired. Headroom was €14m on a CGU carrying value of €307m (2018 – headroom of €68m on a CGU carrying value of €360m). Estimates of long-term growth rates beyond the forecast periods were 2% (2018 – 2%). The CGU carrying value is sensitive to assumptions around sugar prices, recovery of beet crop area and discount rate. Applying sensitivities to these assumptions, a sensitivity of plus or minus 1% applied to sugar prices impacts headroom by plus or minus €9m; a change of 5% on long-term beet crop area increases or decreases the headroom by €25m; and increasing the discount rate used of 11.7% (2018 – 12%) to 12.1% causes value in use to fall below the CGU carrying value.

AB Mauri continues to experience competitive pricing pressure in a number of markets around the world as well as challenging macroeconomic conditions in some markets, including high inflation rates and currency devaluations. Accordingly, management has again undertaken an impairment review. Detailed forecasts for a period of five years to reflect the time required for completion of the business plan were prepared and management concluded that the assets were not impaired. Key drivers of the forecast improvement in performance include achievement of price increases in high inflation environments, improved reach and competitiveness in the global dry yeast market, implementation of a number of margin improvement initiatives, particularly in cost reduction, and continuing growth in the global bakery ingredients business. Headroom was $361m on a CGU carrying value of $815m (2018 – headroom of $400m on a CGU carrying value of $946m). The geographic diversity and varying local economic environments of AB Mauri's operations mean that the critical assumptions underlying the detailed forecasts used in the impairment model are wide-ranging. It is therefore impractical to provide meaningful sensitivities to these assumptions other than the discount rate. The discount rate used was 12.9% (2018 – 13.2%) and would have to increase to more than 16.8% (2018 – 17%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2–3% (2018 – 2–3%) per annum dependent on location.

9. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Sugar cane roots £m	Total £m
Cost						
At 16 September 2017	2,540	3,766	3,000	218	64	9,588
Acquisitions – externally purchased	112	46	413	235	12	818
Acquired through business combinations	24	13	–	6	–	43
Other disposals	(10)	(57)	(25)	–	(1)	(93)
Transfers from assets under construction	23	144	9	(176)	–	–
Effect of movements in foreign exchange	(24)	(70)	24	(7)	(2)	(79)
At 15 September 2018	2,665	3,842	3,421	276	73	10,277
Acquisitions – externally purchased	58	47	326	212	14	657
Acquired through business combinations	7	13	–	–	–	20
Businesses disposed	(2)	(20)	–	–	–	(22)
Other disposals	(9)	(66)	(6)	–	–	(81)
Transfers from assets under construction	52	148	27	(227)	–	–
Transfer to assets classified as held for sale	(17)	(37)	(1)	–	–	(55)
Effect of hyperinflationary economies	–	7	–	–	–	7
Effect of movements in foreign exchange	5	33	10	1	–	49
At 14 September 2019	**2,759**	**3,967**	**3,777**	**262**	**87**	**10,852**
Depreciation and impairment						
At 16 September 2017	601	2,260	1,232	–	25	4,118
Depreciation for the year	48	198	255	–	8	509
Impairment on closure of business	–	14	–	–	–	14
Other disposals	(8)	(49)	(23)	–	(1)	(81)
Effect of movements in foreign exchange	(4)	(28)	2	–	–	(30)
At 15 September 2018	637	2,395	1,466	–	32	4,530
Depreciation for the year	46	194	296	–	8	544
Impairment	3	59	3	–	–	65
Impairment on sale and closure of business	11	19	2	–	–	32
Businesses disposed	(1)	(17)	–	–	–	(18)
Other disposals	(7)	(60)	(6)	–	–	(73)
Transfer to assets classified as held for sale	(4)	(22)	–	–	–	(26)
Effect of movements in foreign exchange	5	17	7	–	–	29
At 14 September 2019	**690**	**2,585**	**1,768**	**–**	**40**	**5,083**
Net book value						
At 16 September 2017	1,939	1,506	1,768	218	39	5,470
At 15 September 2018	2,028	1,447	1,955	276	41	5,747
At 14 September 2019	**2,069**	**1,382**	**2,009**	**262**	**47**	**5,769**

	2019 £m	2018 £m
Net book value of finance lease assets	**12**	12
Land and buildings at net book value comprise:		
– freehold	**1,673**	1,619
– long leasehold	**111**	121
– short leasehold	**285**	288
	2,069	2,028
Capital expenditure commitments – contracted but not provided for	**469**	625

Land and buildings at net book value classified as held for sale comprise £13m of freehold.

The net book value of short and long leasehold land and buildings has been re-analysed in the current year. Prior year balances have been re-presented in line with this change.

9. Property, plant and equipment continued

Impairment

The methodology used to assess property, plant and equipment for impairment is the same as that described for impairment assessments of goodwill. See note 8 for further details.

In 2018 low bread prices and strong continuing competition in the UK bakery market led to an operating loss at Allied Bakeries and the consequent need for an assessment of impairment. In December 2018, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This is expected to result in a significant reduction in bread volumes from late in the 2019 calendar year, with limited opportunity to mitigate this volume loss in the short term. Accordingly, a detailed impairment assessment was performed in the first half of 2019.

Of the methodologies available to calculate the impairment, the group applied the "fair value less costs of disposal" approach to identify its best estimate of the impairment. This method uses inputs that are unobservable, using the best information available in the circumstances for valuing the CGU, and therefore falls into the level 3 category of fair value measurement. The key assumptions used in this assessment were bread volumes, bread prices and long-term growth in the market, discount rates, as well as logistical and other savings from restructuring. The discount rate used was 10.9%. This assessment resulted in a shortfall of £65m compared to the CGU carrying value. A charge for this has been included as an exceptional item in the income statement and has been allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

At year end, management assessed whether the assumptions under the "fair value less costs of disposal" model were still appropriate and concluded that they were, as was the charge of £65m. Headroom was £9m on a CGU carrying value of £160m (2018 – headroom of £113m on a CGU carrying value of £243m). Estimates of long-term growth rate beyond the forecast periods were 0.4% per annum. A sensitivity of plus or minus 1% applied to bread prices impacts headroom by plus or minus £12m. A sensitivity of plus or minus 1% applied to bread volumes impacts headroom by plus or minus £8m.

A poor beet crop together with low domestic sugar prices led to a loss in AB Sugar China and resulted in the need for an assessment of impairment. There is no goodwill associated with AB Sugar China. Detailed forecasts for a period of five years were prepared, to reflect the time required for implementation of the business plan, and management concluded that the assets were not impaired. Headroom was £14m on a CGU carrying value of £81m. Estimates of long-term growth rates beyond the forecast periods were 2%. The discount rate used was 11.9% and would have to increase to 13.3% before the value in use fell below the carrying value. Key assumptions include the Chinese domestic sugar sales price, beet purchase price and beet volume, with a recovery in beet quality with grower payments being increasingly linked to the sugar content of beet. Applying sensitivities to these assumptions, a sensitivity of plus or minus 2% in the sugar sales price impacts headroom by plus or minus £14m; a sensitivity of plus or minus 5% on beet price would impact headroom by plus or minus £22m; and a change of 1% on long term beet crop area increases or decreases the headroom by £10m.

An impairment of A$150m (£98m) was recorded in 2012 in the Australian meat business. Further progress was made in the current year with lower procurement costs, price increase in food service and a general focus on cost reduction across the business. Following a detailed assessment, management has concluded that the carrying value of the assets in the meat business is not further impaired. Headroom was A$120m on a CGU carrying value of A$304m (2018 – headroom of A$41m on a CGU carrying value of A$248m). The discount rate used was 10.4% (2018 – 11.1%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2018 – 2.0%) per annum. A sensitivity of plus or minus 1% applied to the discount rate impacts headroom by plus or minus A$63m.

10. Investments in joint ventures and associates

	Joint ventures £m	Associates £m
At 16 September 2017	210	44
Profit for the period	45	9
Dividends received	(36)	(6)
At 15 September 2018	219	47
Profit for the period	49	8
Dividends received	(45)	(7)
Effect of movements in foreign exchange	2	2
At 14 September 2019	**225**	**50**

Details of joint ventures and associates are listed in note 29.

Included in the consolidated financial statements are the following items that represent the group's share of the assets, liabilities and profit of joint ventures and associates:

	Joint ventures		Associates	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Non-current assets	**149**	148	**22**	20
Current assets	**383**	405	**188**	223
Current liabilities	**(259)**	(280)	**(157)**	(193)
Non-current liabilities	**(67)**	(73)	**(4)**	(4)
Goodwill	**19**	19	**1**	1
Net assets	**225**	219	**50**	47
Revenue	**1,507**	1,443	**589**	689
Profit for the period	**49**	45	**8**	9

11. Employee entitlements

The group operates a number of defined benefit and defined contribution retirement benefit schemes in the UK and overseas. The defined benefit schemes expose the group to a variety of actuarial risks including demographic assumptions such as mortality and financial assumptions such as discount rate, inflation risk and market (investment) risk. The group is not exposed to any unusual, entity-specific or scheme-specific risks. All schemes comply with local legislative requirements.

UK defined benefit scheme

The group's principal UK defined benefit scheme is the Associated British Foods Pension Scheme (the 'Scheme'), which is a funded final salary scheme that is closed to new members. Defined contribution arrangements are in place for other employees. The UK defined benefit schemes represent 91% (2018 – 91%) of the group's defined benefit scheme assets and 87% (2018 – 88%) of defined benefit scheme liabilities. The Scheme is governed by a trustee board which is independent of the group and which agrees a schedule of contributions with the Company each time a formal funding valuation is performed.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, using the current unit method, and revealed a surplus of £176m. The market value of the Scheme assets was £3,789m, representing 105% of members' accrued benefits after allowing for expected future salary increases.

The Scheme's assets are managed using a risk-controlled investment strategy, which includes a liability-driven investment policy that seeks to match, where appropriate, the profile of the liabilities. This includes the use of derivative instruments to hedge inflation, interest and foreign exchange risks. The Scheme utilises both market and solvency triggers to develop the level of hedges in place. To date, the Scheme is fully hedged for 71% of inflation sensitivity and 29% of interest rate risk. It is intended to hedge 80% of total exposure.

The Scheme is forbidden by the trust deed from holding direct investments in the equity of the Company, although it is possible that the Scheme may hold indirect interests through investments in some equity funds.

The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997.

On 26 October 2018, the High Court of Justice of England and Wales ruled that GMPs must be equalised in respect of retirement ages for men and women for all pensionable service after 17 May 1990. This affects the group's UK defined benefit scheme and the ruling set out a number of methodologies that could be used to calculate the impact. The group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement with subsequent changes accounted for in other comprehensive income. The past service cost is treated as an exceptional item since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance.

The increase in liabilities is estimated at £14m, assessed using market conditions at the date of the ruling as required by IAS 19.

Overseas defined benefit schemes

The group also operates defined benefit retirement schemes in a number of overseas businesses, which are primarily funded final salary schemes, as well as a small number of unfunded post-retirement medical benefit schemes, which are accounted for in the same way as defined benefit retirement schemes.

Defined contribution schemes

The group operates a number of defined contribution schemes for which the charge was £39m in the UK and £41m overseas, totalling £80m (2018 – UK £37m, overseas £40m, totalling £77m).

Actuarial assumptions

The principal actuarial assumptions for the group's defined benefit schemes at the year end were:

	2019 UK %	**2019 Overseas %**	2018 UK %	2018 Overseas %
Discount rate	**2.0**	**0.1-13.7**	2.9	1.0-11.3
Inflation	**2.3-3.3**	**0-15.0**	2.3-3.3	0-11.9
Rate of increase in salaries	**3.3-4.3**	**0-20.0**	3.3-4.3	0-13.0
Rate of increase for pensions in payment	**2.1-3.1**	**0-28.0**	2.1-3.1	0-5.6
Rate of increase for pensions in deferment (where provided)	**2.3**	**0-2.0**	2.3	0-2.0

The UK inflation assumption includes assumptions on both the Retail Price Index and Consumer Price Index measures of inflation on the basis that the gap between the two measures is expected to remain stable in the long term.

11. Employee entitlements continued

The mortality assumptions used to value the UK defined benefit schemes in both years are derived from the S2 mortality tables with improvements in line with the 2017 projection model (2018 – 2016 projection model) prepared by the Continuous Mortality Investigation of the UK actuarial profession, with a +0.5-year rating up for males and a +0.3-year rating down for females (2018 – +0.5-year rating up for males and a +0.3-year rating down for females), both with a long-term trend of 1.5% (2018 – 1.5%). These mortality assumptions take account of experience to date, and assumptions for further improvements in life expectancy of scheme members. Examples of the resulting life expectancies in the UK defined benefit schemes are as follows:

	2019		2018	
Life expectancy from age 65 (in years)	**Male**	**Female**	Male	Female
Member aged 65 in 2019 (2018)	**21.8**	**24.5**	21.9	24.5
Member aged 65 in 2039 (2038)	**23.5**	**26.3**	23.7	26.4

An allowance has been made for cash commutation in line with emerging scheme experience. Other demographic assumptions for the UK defined benefit schemes are set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic funding valuation of the schemes.

For the overseas schemes, regionally appropriate assumptions for mortality, financial and demographic factors have been used.

A sensitivity analysis on the principal assumptions used to measure UK defined benefit scheme liabilities at 14 September 2019 is:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.5%	increase by 9.5%/decrease by 8.4%
Inflation	increase/decrease by 0.5%	increase by 7.0%/decrease by 6.4%
Rate of real increase in salaries	increase/decrease by 0.5%	increase/decrease by 1.5%
Rate of mortality	reduce by one year	increase by 3.9%

A sensitivity to the rate of increase in pensions in payment and pensions in deferment is represented by the inflation sensitivity, as all pensions increases and deferred revaluations are linked to inflation.

The sensitivity analysis above has been determined based on reasonably possible changes in the respective assumptions occurring at the end of the period and may not be representative of the actual change. It is based on a change in the specific assumption while holding all other assumptions constant. When calculating the sensitivities, the same method used to calculate scheme liabilities recognised in the balance sheet has been applied. The method and assumptions used in preparing the sensitivity analysis have not changed since the prior year.

Balance sheet

	2019			2018		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Equities	**1,346**	**180**	**1,526**	1,355	180	1,535
Government bonds	**693**	**51**	**744**	530	47	577
Corporate and other bonds	**433**	**67**	**500**	393	58	451
Property	**350**	**23**	**373**	343	21	364
Cash and other assets	**1,000**	**63**	**1,063**	1,093	62	1,155
Scheme assets	**3,822**	**384**	**4,206**	3,714	368	4,082
Scheme liabilities	**(3,640)**	**(524)**	**(4,164)**	(3,184)	(446)	(3,630)
Aggregate net surplus/(deficit)	**182**	**(140)**	**42**	530	(78)	452
Irrecoverable surplus*	**–**	**(9)**	**(9)**	–	(17)	(17)
Net pension asset/(liability)	**182**	**(149)**	**33**	530	(95)	435
Analysed as						
Schemes in surplus	**220**	**8**	**228**	571	8	579
Schemes in deficit	**(38)**	**(157)**	**(195)**	(41)	(103)	(144)
	182	**(149)**	**33**	530	(95)	435
Unfunded liability included in the present value of scheme liabilities above	**(38)**	**(67)**	**(105)**	(41)	(56)	(97)

* The surpluses in the plans are only recoverable to the extent that the group can benefit from either refunds formally agreed or from future contribution reductions.

Corporate and other bonds relating to UK schemes of £433m (2018 – £393m) include £nil (2018 – £13m) of assets whose valuation is not derived from quoted market prices. The valuation for all other equity assets, government bonds, corporate and other bonds is derived from quoted market prices. The carrying value of UK property assets is based on a 31 March market valuation, adjusted for purchases, disposals and price indexation between the valuation and the balance sheet dates. Cash and other assets contains £514m (2018 – £401m) of assets whose valuation is not derived from quoted market prices.

For financial reporting in the group's financial statements, liabilities are assessed by actuaries using the projected unit method. The accounting value is different from the result obtained using the funding basis, mainly due to different assumptions used to project scheme liabilities.

11. Employee entitlements continued

The defined benefit scheme liabilities comprise 30% (2018 – 27%) in respect of active participants, 21% (2018 – 20%) for deferred participants and 49% (2018 – 53%) for pensioners.

The weighted average duration of the defined benefit scheme liabilities at the end of the year is 18 years for both UK and overseas schemes (2018 – 18 years for both UK and overseas schemes).

Income statement

The charge to the income statement for employee benefit schemes comprises:

	2019 £m	2018 £m
Charged to operating profit:		
Defined benefit schemes		
Current service cost	**(41)**	(44)
Past service cost	**(13)**	1
Defined contribution schemes	**(80)**	(77)
Total operating cost	**(134)**	(120)
Reported in other financial income/(expense):		
Net interest income on the net pension asset	**14**	4
Interest charge on irrecoverable surplus	**(1)**	(1)
Net impact on profit before tax	**(121)**	(117)

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £36m (2018 – £37m) and benefits paid in respect of unfunded schemes of £14m (2018 – £2m). Contributions to funded defined benefit schemes are subject to periodic review. Contributions to defined contribution schemes amounted to £80m (2018 – £77m).

Total contributions to funded schemes and benefit payments by the group in respect of unfunded schemes in 2020 are currently expected to be approximately £30m in the UK and £10m overseas, totalling £40m (2018 – UK £32m, overseas £9m, totalling £41m).

Other comprehensive income

Remeasurements of the net asset recognised in other comprehensive income are as follows:

	2019 £m	2018 £m
Return on scheme assets excluding amounts included in net interest in the income statement	**119**	113
Actuarial (losses)/gains arising from changes in financial assumptions	**(585)**	135
Actuarial gains arising from changes in demographic assumptions	**28**	49
Experience gains on scheme liabilities	**20**	21
Change in unrecognised surplus	**11**	(8)
Remeasurements of the net pension asset	**(407)**	310

Reconciliation of change in assets and liabilities

	2019 assets £m	2018 assets £m	2019 liabilities £m	2018 liabilities £m	2019 net £m	2018 net £m
At beginning of year	**4,082**	4,046	**(3,630)**	(3,910)	**452**	136
Current service cost	**–**	–	**(41)**	(44)	**(41)**	(44)
Employee contributions	**9**	9	**(9)**	(9)	**–**	–
Employer contributions	**50**	37	**–**	–	**50**	37
Benefit payments	**(179)**	(230)	**179**	232	**–**	2
Past service cost	**–**	–	**(13)**	1	**(13)**	1
Interest income/(expense)	**116**	107	**(102)**	(103)	**14**	4
Return on scheme assets less interest income	**119**	113	**–**	–	**119**	113
Actuarial (losses)/gains arising from changes in financial assumptions	**–**	–	**(585)**	135	**(585)**	135
Actuarial gains arising from changes in demographic assumptions	**–**	–	**28**	49	**28**	49
Experience gains on scheme liabilities	**–**	–	**20**	21	**20**	21
Businesses acquired	**–**	–	**(1)**	–	**(1)**	–
Effect of movements in foreign exchange	**9**	–	**(10)**	(2)	**(1)**	(2)
At end of year	**4,206**	4,082	**(4,164)**	(3,630)	**42**	452

11. Employee entitlements continued

Reconciliation of change in irrecoverable surplus

	2019 £m	2018 £m
At beginning of year	**(17)**	(10)
Change recognised in other comprehensive income	**11**	(8)
Interest charge on irrecoverable surplus	**(1)**	(1)
Effect of movements in foreign exchange	**(2)**	2
At end of year	**(9)**	(17)

12. Deferred tax assets and liabilities

	Property, plant and equipment £m	Intangible assets £m	Employee benefits £m	Financial assets and liabilities £m	Other temporary differences £m	Tax value of carry-forward losses £m	Total £m
At 16 September 2017	133	86	16	(7)	(102)	(38)	88
Amount charged/(credited) to the income statement	27	(3)	–	–	(17)	4	11
Amount charged/(credited) to equity	–	–	54	12	(1)	–	65
Acquired through business combinations	1	23	–	–	16	–	40
Effect of changes in tax rates on income statement	(9)	(18)	–	–	11	–	(16)
Effect of movements in foreign exchange	(1)	1	–	–	1	2	3
At 15 September 2018	151	89	70	5	(92)	(32)	191
Amount credited to the income statement	(16)	(3)	(1)	–	(4)	(2)	(26)
Amount credited to equity	–	–	(68)	(7)	–	–	(75)
Acquired through business combinations	–	7	–	–	–	–	7
Effect of changes in tax rates on income statement	1	–	–	–	(2)	–	(1)
Effect of hyperinflationary economies taken to operating profit	1	–	–	–	–	–	1
Effect of hyperinflationary economies taken to other comprehensive income	2	–	–	–	–	–	2
Effect of movements in foreign exchange	3	2	(1)	–	(2)	–	2
At 14 September 2019	**142**	**95**	**–**	**(2)**	**(100)**	**(34)**	**101**

Certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £m	2018 £m
Deferred tax assets	**(160)**	(133)
Deferred tax liabilities	**261**	324
	101	191

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. Other deferred tax assets totalling £95m (2018 – £101m) have not been recognised on the basis that their future economic benefit is not probable.

In addition, there are temporary differences of £3,136m (2018 – £3,327m) relating to investments in subsidiaries. No deferred tax has been provided in respect of these differences, since the timing of the reversals can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

13. Trade and other receivables

	2019 £m	2018 £m
Non-current – other receivables		
Loans and receivables	**44**	46
Other non-current investments	**7**	4
	51	50
Current – trade and other receivables		
Trade receivables	**1,080**	1,074
Other receivables	**150**	147
Accrued income	**14**	20
	1,244	1,241
Prepayments and other non-financial receivables	**192**	195
	1,436	1,436

In addition to the amounts disclosed above, there are £6m of trade and other receivables classified as assets held for sale (see note 14).

The directors consider that the carrying amount of receivables approximates fair value.

For details of credit risk exposure on trade and other receivables, see note 25.

Trade and other receivables include £44m (2018 – £47m) in respect of finance lease receivables, with £39m in non-current loans and receivables and £5m in current other receivables (2018 – £42m in non-current loans and receivables and £5m in current other receivables). Minimum lease payments receivable are £5m within one year, £18m between one and five years and £21m in more than five years (2018 – £5m within one year, £20m between one and five years and £25m in more than five years).

The finance lease receivables relate to property, plant and equipment leased to a joint venture of the group (see note 28).

14. Assets and liabilities classified as held for sale

In the summer we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, the businesses have been classified as a disposal group at year end. It does not qualify as a discontinued operation.

	2019 £m
Assets classified as held for sale	
Intangible assets	**2**
Property, plant and equipment	**29**
Inventories	**6**
Trade and other receivables	**6**
	43
Liabilities classified as held for sale	
Trade and other payables	**6**
	6

15. Inventories

	2019 £m	2018 £m
Raw materials and consumables	**387**	361
Work in progress	**69**	87
Finished goods and goods held for resale	**1,930**	1,739
	2,386	2,187
Write-down of inventories	**(115)**	(107)

In addition to the amounts disclosed above, there are £6m of inventories classified as assets held for sale (see note 14).

16. Biological assets

	Growing cane £m	Other £m	Total £m
At 16 September 2017	77	13	90
Transferred to inventory	(75)	(18)	(93)
Purchases	–	1	1
Changes in fair value	76	12	88
Effect of movements in foreign exchange	(2)	–	(2)
At 15 September 2018	76	8	84
Transferred to inventory	(65)	(14)	(79)
Purchases	–	1	1
Changes in fair value	70	9	79
Effect of movements in foreign exchange	(1)	–	(1)
At 14 September 2019	**80**	**4**	**84**

Growing cane

The fair value of growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for valuing the growing cane, and therefore falls into the level 3 category of fair value measurement. The following assumptions were used in the determination of the estimated sucrose tonnage at 14 September 2019:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	7,401	18,545	15,843	8,704	9,307	5,724
Estimated yield (tonnes cane/hectare)	67.8	105.0	121.9	101.6	74.9	83.0
Average maturity of growing cane	49.9%	67.4%	65.7%	67.0%	46.2%	71.6%

The following assumptions were used in the determination of the estimated sucrose tonnage at 15 September 2018:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	6,517	18,363	15,848	8,609	9,426	5,875
Estimated yield (tonnes cane/hectare)	69.0	97.7	119.0	102.1	74.8	82.1
Average maturity of growing cane	46.4%	68.2%	65.7%	67.7%	46.2%	71.6%

A 1% change in the unobservable inputs could increase or decrease the fair value of growing cane as follows:

	2019		2018	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Estimated sucrose content	**1.1**	**(1.1)**	1.1	(1.1)
Estimated sucrose price	**1.4**	**(1.4)**	1.4	(1.4)

17. Cash and cash equivalents

	Note	**2019 £m**	2018 £m
Cash			
Cash at bank and in hand		**643**	658
Cash equivalents		**852**	704
Cash and cash equivalents	25	**1,495**	1,362
Reconciliation to the cash flow statement			
Bank overdrafts	18	**(137)**	(91)
Cash and cash equivalents in the cash flow statement		**1,358**	1,271

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate.

Cash equivalents generally comprise deposits placed on money markets for periods of up to three months which earn interest at a short-term deposit rate; and funds invested with fund managers that have a maturity of less than or equal to three months and are at fixed rates.

The carrying amount of cash and cash equivalents approximates fair value.

18. Loans and overdrafts

	Note	2019 £m	2018 £m
Current loans and overdrafts			
Secured loans		**9**	10
Unsecured loans and overdrafts		**217**	408
Finance leases	26	**1**	1
		227	419
Non-current loans			
Secured loans		**1**	10
Unsecured loans		**347**	336
Finance leases	26	**13**	13
		361	359
	25	**588**	778

	Note	2019 £m	2018 £m
Secured loans			
– Other floating rate		**10**	20
Unsecured loans and overdrafts			
– Bank overdrafts	17	**137**	91
– GBP fixed rate		**104**	147
– USD floating rate		**29**	30
– USD fixed rate		**241**	428
– EUR floating rate		**29**	23
– EUR fixed rate		**–**	3
– Other floating rate		**23**	21
– Other fixed rate		**1**	1
Finance leases (fixed rate)		**14**	14
		588	778

Secured loans comprise amounts borrowed from commercial banks and are secured by floating charges over the assets of subsidiaries. Bank overdrafts generally bear interest at floating rates.

19. Trade and other payables

	2019 £m	2018 £m
Current – trade and other payables		
Trade payables	**1,153**	1,164
Accruals	**1,023**	1,020
	2,176	2,184
Deferred income and other non-financial payables	**380**	345
	2,556	2,529
Non-current – other payables		
Accruals	**271**	269

In addition to the amounts disclosed above, there are £6m of trade and other payables classified as liabilities held for sale (see note 14).

For payables with a remaining life of less than one year, carrying amount is deemed to reflect fair value.

20. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 15 September 2018	91	9	40	140
Created	28	11	6	45
Utilised	(44)	(1)	(5)	(50)
Released	(1)	(1)	(16)	(18)
Effect of movements in foreign exchange	–	–	1	1
At 14 September 2019	**74**	**18**	**26**	**118**
Current	45	1	18	64
Non-current	29	17	8	54
	74	**18**	**26**	**118**

Financial liabilities within provisions comprised deferred consideration in both years (see note 25).

Restructuring
Restructuring provisions include onerous leases and the cash costs, including redundancy, associated with the group's announced reorganisation plans.

Deferred consideration
Deferred consideration comprises estimates of amounts due to the previous owners of businesses acquired by the group which are often linked to performance or other conditions.

Other
Other provisions mainly comprise litigation claims and warranty claims arising from the sale and closure of businesses. The extent and timing of the utilisation of these provisions is more uncertain given the nature of the claims and the period of the warranties.

21. Share capital and reserves

Share capital
At 15 September 2018 and 14 September 2019, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p, each carrying one vote per share. Total nominal value was £45m.

Other reserves
£173m of other reserves arose from the cancellation of share premium account by the Company in 1993. The remaining £2m arose in 2010 as a transfer to capital redemption reserve following redemption of 2 million £1 deferred shares at par. Both are non-distributable.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the group's net investment in foreign subsidiaries.

Hedging reserve
The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

22. Acquisitions and disposals

Acquisitions

2019

On 17 September 2018 the group's Grocery business completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia, and on 6 September 2019 the Grocery business completed the acquisition of Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients. These acquisitions will continue to develop our presence in the faster growing segments of the grocery market. The group also acquired a small manufacturer of piglet starter feed in Poland as part of the Agriculture business and as part of the Ingredients business, acquired Italmill an Italian bakery ingredients producer.

The acquisitions had the following effect on the group's assets and liabilities:

	Pre-acquisition carrying values £m	Recognised values on acquisition £m
Net assets		
Intangible assets	–	56
Property, plant and equipment	20	20
Other receivables (non-current)	2	2
Inventories	7	7
Trade and other receivables	14	14
Cash and cash equivalents	2	2
Trade and other payables	(11)	(11)
Loans	(15)	(15)
Taxation	(1)	(8)
Employee benefit liabilities	(1)	(1)
Net identifiable assets and liabilities	17	66
Goodwill		30
Total consideration		96

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	85
Deferred consideration	11
	96
Net cash	
Cash consideration	85
Cash and cash equivalents acquired	(2)
Deferred consideration paid in respect of previous acquisition	1
	84

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £56m of non-operating intangible assets in respect of brands and customer relationships, which were recognised together with related deferred tax of £7m. The cash outflow of £84m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £85m for these acquisitions less cash acquired with the businesses of £2m and £1m payment of deferred consideration in respect of previous acquisitions.

The acquisitions have contributed aggregate revenues of £42m and operating profit of £4m to the group's result for the period from the date of acquisition to 14 September 2019.

2018

On 12 October 2017, the group's Grocery business completed the acquisition of 100% of Acetum S.p.A, the leading Italian producer of Balsamic Vinegar of Modena for a net consideration of £284m including debt assumed of £89m and deferred consideration of £2m. The group also acquired a small aerial survey and informatics company as part of the UK Agriculture business, and as part of the UK Ingredients business, acquired Holgran, a supplier of malted grains, and Fleming Howden, an Edinburgh-based blender and distributor of bakery ingredients. These acquisitions contributed revenue of £83m and operating profit of £11m to the group's results for the period from date of acquisition to 15 September 2018.

22. Acquisitions and disposals continued

The acquisitions had the following effect on the group's assets and liabilities:

	Pre-acquisition carrying values £m	Recognised values on acquisition Acetum £m	Other £m	Total £m
Net assets				
Intangible assets	–	95	10	105
Property, plant and equipment	41	42	1	43
Inventories	28	95	2	97
Trade and other receivables	28	23	5	28
Cash and cash equivalents	11	11	–	11
Trade and other payables	(31)	(26)	(5)	(31)
Loans	(89)	(89)	–	(89)
Taxation	6	(40)	(2)	(42)
Net identifiable assets and liabilities	(6)	111	11	122
Goodwill		95	5	100
Total consideration		206	16	222

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	218
Deferred consideration	4
	222
Net cash	
Cash consideration	218
Cash and cash equivalents acquired	(11)
Deferred consideration paid	1
	208

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £105m of non-operating intangible assets in respect of brands and customer relationships, a £69m upward fair value adjustment on inventories and a £2m upward revaluation of land and buildings, which were recognised together with related deferred tax of £48m. The cash outflow of £208m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £218m for these acquisitions less cash acquired with the businesses of £11m and £1m payment of deferred consideration in respect of prior year acquisitions.

Disposals

2019

In the current year the group disposed of its torula facility and associated torula whole cell business in Hutchinson, Minnesota, reported within the US and Ingredients segments. Cash proceeds amounted to £5m, net assets disposed were £5m and the associated goodwill was £8m. Provisions for transaction and associated restructuring costs were £2m, with a gain of £3m on recycling foreign exchange differences. The pre-tax loss on disposal was £7m.

In August we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, a non-cash impairment charge of £88m has been included in the loss on closure of businesses, comprising £56m of goodwill and £32m of property, plant and equipment.

£4m of warranty and restructuring provisions relating to disposals made in previous years are no longer required and were released to sale and closure of businesses during the year in Grocery (The Americas). In the Agriculture segment, goodwill with a carrying value of £3m was written off on sale and closure of a small business in the UK.

2018

In October 2018 the group shut down operations at Vivergo, AB Sugar's bioethanol plant in Hull. A charge of £51m was included for this in the loss on closure of businesses line in the income statement. The group also completed the buy-out of the remaining 5.5% minority interest in Vivergo. This resulted in the recognition of a gain of £23m (in the Sugar and UK segments) arising from the extinguishment of the associated shareholder loan and interest, which was recognised in sale and closure of businesses in line with the original transaction in 2015.

£18m of warranty and restructuring provisions relating to disposals made in previous years were no longer required and were released to sale and closure of business. These comprised £17m in Sugar (Asia Pacific) and £1m in Ingredients (Europe & Africa).

The group also charged a £24m onerous lease provision to sale and closure of business (in the Central and UK segments) against rental guarantees given on property leases assigned to third parties that the group expects to be required to honour.

23. Share-based payments

The group had the following principal equity-settled share-based payment plans in operation during the period:

Associated British Foods Long Term Incentive Plan ('the LTIP')

The LTIP was approved and adopted by the Company at the annual general meeting held on 6 December 2013. It takes the form of conditional allocations of shares which are released if, and to the extent that, performance targets are satisfied, typically over a three-year vesting period.

Associated British Foods 2016 Long Term Incentive Plan ('the 2016 LTIP')

The 2016 LTIP was approved and adopted by the Company at the annual general meeting held on 9 December 2016. It takes the form of conditional allocations of shares which are released if, and to the extent that, performance targets are satisfied, typically over a three-year vesting period.

Associated British Foods Short Term Incentive Plan ('the 2016 STIP')

The 2016 STIP was approved and adopted by the Board on 2 November 2016. It takes the form of conditional allocations of shares which are released at the end of a three-year vesting period if, and to the extent that, performance targets are satisfied, over a one-year performance period.

Further information regarding the operation of the above plans can be found in the Remuneration report on pages 83 to 106.

Total conditional allocations under the group's equity-settled share-based payment plans are as follows:

	Balance outstanding at the beginning of the year	Granted/ awarded	Vested	Expired/ lapsed	Balance outstanding at the end of the year
2019	3,675,370	1,922,795	(475,947)	(461,551)	4,660,667
2018	3,094,724	1,630,180	(506,293)	(543,241)	3,675,370

Employee Share Ownership Plan Trust

Shares subject to allocation under the group's equity-settled share-based payment plans are held in a separate Employee Share Ownership Plan Trust funded by the Company. Voting rights attached to shares held by the Trust are exercisable by the trustee, who is entitled to consider any recommendation made by a committee of the Company. At 14 September 2019 the Trust held 2,781,914 (2018 – 2,225,705) ordinary shares of the Company. The market value of these shares at the year end was £65m (2018 – £50m). The Trust has waived its right to dividends. Movements in the year were releases of 475,947 shares and purchases of 1,032,156 shares (2018 – releases of 506,293 shares and purchases of 1,200,000 shares).

Fair values

The weighted average fair value of conditional grants made was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid during the vesting period. The weighted average fair value of the conditional shares allocated during the year was 2,335p (2018 – 2,800p) and the weighted average share price was 2,511p (2018 – 3,010p). The dividend yield used was 2.5% (2018 – 2.5%).

24. Analysis of net cash

	At 15 September 2018 £m	Cash flow £m	Acquisitions £m	Non-cash items £m	Exchange adjustments £m	**At 14 September 2019 £m**
Cash at bank and in hand, cash equivalents and overdrafts	1,271	87	–	–	–	**1,358**
Current asset investments	30	(1)	–	–	–	**29**
Short-term loans	(328)	263	(15)	(10)	–	**(90)**
Long-term loans	(359)	(2)	–	10	(10)	**(361)**
	614	347	(15)	–	(10)	**936**

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand of £137m form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Current asset investments comprise term deposits and short-term investments with original maturities of greater than three months but less than one year.

25. Financial instruments

Financial instruments include £5m of trade and other receivables and £5m of trade and other payables which are classified as held for sale, see note 14. All disclosures in this note are given gross, before the held for sale reclassification is made.

a) Carrying amount and fair values of financial assets and liabilities

	2019 £m	2018 £m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**1,495**	1,362
Current asset investments	**29**	30
Trade and other receivables	**1,249**	1,241
Other non-current receivables	**44**	46
At fair value through other comprehensive income		
Investments	**7**	4
At fair value through profit or loss		
Derivative assets not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**12**	20
– commodity derivatives	**–**	3
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**17**	13
– cross-currency swaps	**64**	60
– commodity derivatives	**6**	36
Total financial assets	**2,923**	2,815
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**(2,452)**	(2,453)
Secured loans	**(10)**	(20)
Unsecured loans and overdrafts (fair value 2019 – £599m; 2018 – £782m)	**(564)**	(744)
Finance leases (fair value 2019 – £20m; 2018 – £19m)	**(14)**	(14)
Deferred consideration	**(18)**	(9)
At fair value through profit or loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**(2)**	(3)
– commodity derivatives	**(1)**	(3)
Designated net investment hedging relationships		
Derivative liabilities designated as net investment hedging instruments:		
– cross-currency swaps	**(23)**	(30)
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**(18)**	(10)
– commodity derivatives	**(8)**	(6)
Total financial liabilities	**(3,110)**	(3,292)
Net financial liabilities	**(187)**	(477)

Except where stated, carrying amount is equal to fair value. 2018 balances have been re-presented on a consistent basis with the 2019 classification.

25. Financial instruments continued

Valuation of financial instruments carried at fair value

Financial instruments carried at fair value on the balance sheet comprise derivatives. The group classifies these financial instruments using a fair value hierarchy that reflects the relative significance of both objective evidence and subjective judgements on the inputs used in making the fair value measurements:

- Level 1: financial instruments are valued using observable inputs that reflect unadjusted quoted market prices in an active market for identical instruments. An example of an item in this category is a widely traded equity instrument with a normal quoted market price.
- Level 2: financial instruments are valued using techniques based on observable inputs, either directly (i.e. market prices and rates) or indirectly (i.e. derived from market prices and rates). An example of an item in this category is a currency derivative, where forward exchange rates and yield curve data, which are observable in the market, are used to derive fair value.
- Level 3: financial instruments are valued using techniques involving significant unobservable inputs.

b) Derivatives

All derivatives are classified as current on the face of the balance sheet. The table below analyses the carrying amount of derivatives and their contractual/notional amounts, together with an analysis of derivatives by the level in the fair value hierarchy into which their fair value measurement method is categorised.

	2019				2018			
	Contractual/ notional amounts £m	**Level 1 £m**	**Level 2 £m**	**Total £m**	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m
Financial assets								
Currency derivatives (excluding cross-currency swaps)	**1,268**	**–**	**29**	**29**	1,011	–	33	33
Cross-currency swaps	**271**	**–**	**64**	**64**	345	–	60	60
Commodity derivatives	**149**	**1**	**5**	**6**	190	–	39	39
	1,688	**1**	**98**	**99**	1,546	–	132	132
Financial liabilities								
Currency derivatives (excluding cross-currency swaps)	**905**	**–**	**(20)**	**(20)**	980	–	(13)	(13)
Cross-currency swaps	**214**	**–**	**(23)**	**(23)**	287	–	(30)	(30)
Commodity derivatives	**103**	**–**	**(9)**	**(9)**	106	–	(9)	(9)
	1,222	**–**	**(52)**	**(52)**	1,373	–	(52)	(52)

25. Financial instruments continued

c) Cash flow hedging reserve

The following table identifies the movements in the cash flow hedging reserve during the year, and the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact profit or loss are materially the same.

	2019				2018			
	Currency derivatives (excluding cross-currency) £m	**Cross-currency swaps £m**	**Commodity derivatives £m**	**Total £m**	Currency derivatives (excluding cross-currency) £m	Cross-currency swaps £m	Commodity derivatives £m	Total £m
Opening balance	**(3)**	**9**	**(20)**	**(14)**	27	5	(2)	30
Losses/(gains) recognised in the hedging reserve	**(54)**	**(22)**	**33**	**(43)**	(83)	(6)	(32)	(121)
Amount removed from the hedging reserve and included in the income statement:								
– revenue	**(1)**	**–**	**–**	**(1)**	6	–	–	6
– cost of sales	**–**	**–**	**(3)**	**(3)**	–	–	12	12
– other financial income/expense	**–**	**12**	**–**	**12**	–	11	1	12
Amount removed from the hedging reserve and included in a non-financial asset:								
– inventory	**60**	**–**	**4**	**64**	40	–	(5)	35
Deferred tax	**(1)**	**2**	**(8)**	**(7)**	7	(1)	6	12
Closing balance	**1**	**1**	**6**	**8**	(3)	9	(20)	(14)
Cash flows are expected to occur:								
– within six months	**(1)**	**–**	**5**	**4**	(3)	–	(15)	(18)
– between six months and one year	**2**	**–**	**1**	**3**	1	1	(2)	–
– between one and two years	**–**	**1**	**–**	**1**	(1)	2	(1)	–
– between two and five years	**–**	**–**	**–**	**–**	–	5	(2)	3
– after five years	**–**	**–**	**–**	**–**	–	1	–	1
	1	**1**	**6**	**8**	(3)	9	(20)	(14)

Of the closing balance of £8m, £9m is attributable to equity shareholders and £(1)m to non-controlling interests (2018 – £(14)m, £(13)m is attributable to equity shareholders and £(1)m to non-controlling interests). Of the net movement in the year of £22m, £22m is attributable to equity shareholders and £nil to non-controlling interests (2018 – £(44)m, £(44)m is attributable to equity shareholders and £nil to non-controlling interests).

The balance remaining in the commodity cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied is £2m.

25. Financial instruments continued

d) Financial risk identification and management

The group is exposed to the following financial risks from its use of financial instruments:

- market risk;
- credit risk; and
- liquidity risk.

The group's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Risk management policies and systems have been established and are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group sources and sells products and manufactures goods in many locations around the world. These operations expose the group to potentially significant price volatility in the financial and commodity markets. Trading and risk management teams have been established in the group's major businesses to manage this exposure by entering into a range of products, including physical and financial forward contracts, futures, swaps, and, where appropriate, options. These teams work closely with group Treasury and report regularly to executive management.

Treasury operations and commodity procurement and hedging are conducted within a clearly defined framework of board-approved policies and guidelines to manage the group's financial and commodity risks. Treasury works closely with the group's procurement teams to manage commodity risks. Treasury policy seeks to ensure that adequate financial resources are available to the group at all times, for the management and development of the group's businesses, whilst effectively managing its market risk and credit risk. The group's risk management policy explicitly forbids the use of financial or commodity derivatives (outside its risk management framework of mitigating financial and commodity risks) for speculative purposes.

e) Foreign currency translation

The group presents its financial statements in sterling. As a result of its worldwide operations, the group is exposed to foreign currency translation risk where overseas operations have a functional currency other than sterling. Changes in foreign currency exchange rates impact the translation into sterling of both the income statement and net assets of these foreign operations.

Where appropriate, the group finances its operations by borrowing locally in the functional currency of its operations. This reduces net asset values reported in functional currencies other than sterling, thereby reducing the economic exposure to fluctuations in foreign currency exchange rates on translation.

The group also finances its operations by obtaining funding at group level through external borrowings and, where they are not in sterling, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations. At year end, the group had $nil of borrowings (2018 – $160m) that were designated as hedges of its net investment in foreign operations in US dollars.

The group also holds cross-currency interest rate swaps to hedge its fixed rate non-sterling debt. These are reported as cash flow hedges and net investment hedges. The change in fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging. The value of the currency basis is not material. Effectiveness is measured using the hypothetical derivative approach. The hypothetical derivative is based on the critical terms of the debt and therefore the only ineffectiveness that may arise is in relation to credit risk. Credit risk is monitored regularly and is not a significant factor in the hedge relationship.

The group does not actively hedge the translation impact of foreign exchange rate movements on the income statement (other than via the partial economic hedge arising from the servicing costs on non-sterling borrowings).

The group designates certain of its intercompany loan arrangements as quasi-equity for the purposes of IAS 21. The effect of the designation is that any foreign exchange volatility arising within the borrowing entity and/or the lending entity is accounted for directly within other comprehensive income.

A net foreign exchange gain of £1m (2018 – loss of £6m) on retranslation of these loans has been taken to the translation reserve on consolidation, all of which was attributable to equity shareholders. The group also held currency forwards and cross currency swaps that have been designated as hedges of its net investments in Australian dollars and euros, whose change in fair value of £2m has been credited to the translation reserve, all of which was attributable to equity shareholders (2018 – £4m has been debited to the translation reserve).

25. Financial instruments continued

f) Market risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The group is exposed to changes in the market price of commodities, interest rates and foreign exchange rates. These risks are known as 'transaction' (or recognised) exposures and 'economic' (or forecast) exposures.

(i) Commodity price risk

Commodity price risk arises from the procurement of raw materials and the consequent exposure to changes in market prices.

The group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities including wheat, edible oils, lean hog, soya beans, sugar raws, cocoa, rice, tea and energy is managed through the use of forward physical contracts and hedging instruments, including futures, swaps and options primarily to convert floating prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the group's risk management policies and is continually monitored by group Treasury. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the group's overall pricing strategy.

Some of the group's commodity forward contracts are classified as 'own use' contracts, since they are entered into, and continue to be held, for the purposes of the group's ordinary operations. In this instance the group takes physical delivery of the commodity concerned. 'Own use' contracts do not require accounting entries until the commodity purchase actually crystallises. Where possible, commodity derivatives are accounted for as cash flow hedges (with a one to one hedge ratio), but there are some commodity derivatives for which the strict requirements of hedge accounting cannot be satisfied. Such commodity derivatives are used only where the business believes they provide an economic hedge of an underlying exposure. These instruments are classified as held for trading and are marked to market through the income statement.

The majority of the group's forward physical contracts and commodity derivatives have maturities of less than one year.

The group's sensitivities in respect of the accounting commodity derivatives for a +/- 20% movement in underlying commodity prices is £28m and (£23m) respectively.

(ii) Interest rate risk

Interest rate risk comprises two primary elements:

- interest price risk results from financial instruments bearing fixed interest rates. Changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments; and
- interest cash flow risk results from financial instruments bearing floating rates. Changes in floating interest rates affect cash flows on interest receivable or payable.

The group's policy is to maintain floating rate debt for a significant proportion of its bank finance, although it periodically assesses its position with respect to interest price and cash flow risk.

At 14 September 2019, £360m (61%) (2018 – £593m and 76%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £345m (2018 – £573m).

Floating rate debt comprises bank borrowings bearing interest rates fixed in advance, for various time periods up to 12 months, by reference to official market rates (e.g. LIBOR).

The group does not have significant sensitivities to the impact of interest rates on derivative valuations, nor to the impact of interest rates on floating rate borrowings.

(iii) Foreign currency risk

The group conducts business worldwide and consequently in many foreign currencies. As a result, it is exposed to movements in foreign currency exchange rates which affect the group's transaction costs. The group also publishes its financial statements in sterling and is therefore exposed to movements in foreign exchange rates on the translation of the results and underlying net assets of its foreign operations into sterling.

Translation risk is discussed in section e) on page 157.

Transaction risk

Currency transaction exposure occurs where a business makes sales and purchases in a currency other than its functional currency. It also arises where monetary assets and liabilities of a business are not denominated in its functional currency, and where dividends or surplus funds are remitted from overseas. The group's policy is to match transaction exposures wherever possible, and to hedge actual exposures and firm commitments as soon as they occur by using forward foreign currency contracts. All foreign currency instruments contracted with non-group entities to manage transaction exposures are undertaken by group Treasury or, where foreign currency controls restrict group Treasury acting on behalf of subsidiaries, under its guidance. Identification of transaction exposures is the responsibility of each business.

The group uses derivatives (principally forward foreign currency contracts and time options) to hedge its exposure to movements in exchange rates on its foreign currency trade receivables and payables. The group does not seek formal fair value hedge accounting for such transaction hedges. Instead, such derivatives are classified as held for trading and marked to market through the income statement. This offsets the income statement impact of the retranslation of the foreign currency trade receivables and payables.

25. Financial instruments continued

Economic (forecast) risk

The group principally uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases on a rolling 12-month basis. The group does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the group's risk management policies and prevailing market conditions. The group designates currency derivatives used to hedge its highly probable forecast transactions as cash flow hedges. Under IFRS 9, the spot component is designated in the hedging relationship and forward points and currency basis are excluded and recognised in other comprehensive income – cost of hedging. The cost of hedging value during the period and at the balance sheet date was not material. The economic relationship is based on critical terms and a one-to-one hedge ratio. To the extent that cash flow hedges are effective, gains and losses are deferred in equity until the forecast transaction occurs, at which point the gains and losses are recycled either to the income statement or to the non-financial asset acquired.

The majority of the group's currency derivatives have original maturities of less than one year.

The group's most significant currency transaction exposures are:

- sugar sales in British Sugar to movements in the sterling/euro exchange rate;
- meat purchases in George Weston Foods, predominantly Australian dollar/US dollar exchange rate; and
- sourcing for Primark – costs are denominated in a number of currencies, predominantly sterling, euros and US dollars.

Elsewhere, a number of businesses make sales and purchase a variety of raw materials in foreign currencies (primarily US dollars and euros), giving rise to transaction exposures. In all other material respects, businesses tend to operate in their functional currencies.

The below table illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement by disclosing separately by risk category, and each type of hedge, the details of the associated hedging instrument and hedged item.

	2019					
	Contract Notional £m	Carrying Amount assets/ (liabilities) £m	Farthest maturity date £m	Hedge Ratio £m	Change in fair value of hedging instrument used to determine hedge ineffectiveness £m	Change in fair value of hedge item used to determine hedge effectiveness £m
Current						
Designated cash flow hedging relationships						
– currency derivatives (excluding cross-currency swaps)	**1,482**	**(1)**	**Sep-20**	**100%**	**(3)**	**3**
– commodity derivatives	**209**	**(4)**	**Aug-20**	**100%**	**(8)**	**8**
Non-current						
Designated cash flow hedging relationships						
– currency derivatives (excluding cross-currency swaps)	**79**	**–**	**Aug-21**	**100%**	**–**	**–**
– cross-currency swaps	**271**	**64**	**Mar-24**	**100%**	**20**	**(20)**
– commodity derivatives	**16**	**–**	**Sep-21**	**100%**	**(3)**	**3**
Designated net investment hedging relationships						
– currency derivatives (cross-currency swaps)	**214**	**(23)**	**Mar-24**	**100%**	**–**	**–**

Hedging relationships are typically based on a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Sources of possible ineffectiveness include changes in forecast transactions as a result of timing or value or, in certain cases, different indices linked to the hedged item and the hedging instrument. As at 14 September 2019, FX forwards designated as cash flow hedges equal to £1,561m were outstanding. These are largely in relation to purchases of USD (£896m) and sales of EUR (£248m) with varying maturities up to August 2021. Weighted average hedge rates for these contracts are GBPUSD: 1.239, EURUSD: 1.122 and GBPEUR: 1.113. Weighted average hedge rates for the cross-currency swaps are GBPUSD: 1.699 and GBPEUR: 1.262. Commodity derivatives designated as cash flow hedges related to a range of underlying hedged items, with varying maturities out to September 2021.

25. Financial instruments continued

The analysis of the group's foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

	2019				
	Sterling £m	**US dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**1**	**87**	**26**	**42**	**156**
Trade and other receivables	**–**	**43**	**63**	**16**	**122**
	1	**130**	**89**	**58**	**278**
Financial liabilities					
Trade and other payables	**(17)**	**(525)**	**(40)**	**(12)**	**(594)**
Unsecured loans and overdrafts	**–**	**(241)**	**–**	**–**	**(241)**
	(17)	**(766)**	**(40)**	**(12)**	**(835)**
Currency derivatives					
Gross amounts receivable	**74**	**1,578**	**129**	**154**	**1,935**
Gross amounts payable	**(4)**	**(119)**	**(537)**	**(63)**	**(723)**
	70	**1,459**	**(408)**	**91**	**1,212**
	54	**823**	**(359)**	**137**	**655**

	2018				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	2	240	21	36	299
Trade and other receivables	–	45	72	14	131
	2	285	93	50	430
Financial liabilities					
Trade and other payables	(15)	(368)	(45)	(9)	(437)
Unsecured loans and overdrafts	–	(428)	(1)	–	(429)
	(15)	(796)	(46)	(9)	(866)
Currency derivatives					
Gross amounts receivable	69	1,642	130	166	2,007
Gross amounts payable	(3)	(94)	(474)	(54)	(625)
	66	1,548	(344)	112	1,382
	53	1,037	(297)	153	946

The following major exchange rates applied during the year:

	Average rate		Closing rate	
	2019	2018	**2019**	2018
US dollar	**1.28**	1.35	**1.25**	1.31
Euro	**1.13**	1.13	**1.12**	1.12
Rand	**18.32**	17.52	**18.08**	19.46
Renminbi	**8.78**	8.79	**8.82**	8.97
Australian dollar	**1.81**	1.76	**1.81**	1.82

The following sensitivity analysis illustrates the impact that a 10% strengthening of the group's transactional currencies against local functional currencies would have had on profit and equity. The analysis covers currency translation exposures at year end on businesses' financial assets and liabilities that are not denominated in the functional currencies of those businesses. A similar but opposite impact would be felt on both profit and equity if the group's main operating currencies weakened against local functional currencies by a similar amount.

The exposure to foreign exchange gains and losses on translating the financial statements of subsidiaries into sterling is not included in this sensitivity analysis, as there is no impact on the income statement, and the gains and losses are recorded directly in the translation reserve in equity (see below for a separate sensitivity). This sensitivity is presented before taxation and non-controlling interests.

25. Financial instruments continued

Sensitivity analysis

10% strengthening against other currencies of	**2019 impact on profit for the year £m**	**2019 impact on total equity £m**	2018 impact on profit for the year £m	2018 impact on total equity £m
Sterling	**–**	**6**	1	7
US dollar	**23**	**96**	11	110
Euro	**7**	**(35)**	5	(29)
Other	**3**	**18**	8	17

A second sensitivity analysis calculates the impact on the group's profit before tax if the average rates used to translate the results of the group's foreign operations into sterling were adjusted to show a 10% strengthening of sterling. A similar but opposite impact would be felt on profit before tax if sterling weakened against the other currencies by a similar amount.

10% strengthening of sterling against	**2019 impact on profit for the year £m**	2018 impact on profit for the year £m
US dollar	**(17)**	(14)
Euro	**(37)**	(31)
Rand	**–**	(1)
Renminbi	**10**	(2)
Australian dollar	**(4)**	(3)

g) Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The group's businesses are exposed to counterparty credit risk when dealing with customers, and from certain financing activities.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 14 September 2019. The group considers its maximum exposure to credit risk to be:

	2019 £m	2018 £m
Cash and cash equivalents	**1,495**	1,362
Current asset investments	**29**	30
Trade and other receivables	**1,249**	1,241
Other non-current receivables	**44**	46
Investments	**7**	4
Derivative assets at fair value through profit and loss	**12**	23
Derivative assets in designated cash flow hedging relationships	**64**	109
	2,900	2,815

The significant majority of cash balances and short-term deposits are held with strong investment-grade banks or financial institutions.

The group uses market knowledge, changes in credit ratings and other metrics to identify significant changes to the financial profile of its counterparties.

Counterparty risk profile and management

The table below analyses the group's current asset investments, cash equivalents and derivative assets by credit exposure:

			Derivatives		
Standard & Poors rating	Current asset investments £m	Cash equivalents £m	Currency derivative assets £m	Cross-currency swaps £m	Total £m
A+	–	–	–	21	21
AA-	27	35	4	–	66
A	–	11	–	20	31
A-	–	–	10	–	10
BBB+	2	–	–	–	2
BB-	–	12	–	–	12
As at 14 September 2019	**29**	**58**	**14**	**41**	**142**

Cash of £643m and cash equivalents of £794m have been excluded from this analysis as they are available on demand.

25. Financial instruments continued

Trade and other receivables

Significant concentrations of credit risk are very limited as a result of the group's large and diverse customer base. The group has an established credit policy applied by each business under which the credit status of each new customer is reviewed before credit is advanced. This includes external credit evaluations where possible and in some cases bank references. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of management. Outstanding debts are continually monitored by each business. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the group's benchmark creditworthiness may only transact with the group on a prepayment basis. Aggregate exposures are monitored at group level.

Many of the group's customers have been transacting with the group for many years and the incidence of bad debts has been low. Where appropriate, goods are sold subject to retention of title so that, in the event of non-payment, the group may have a secured claim. The group does not typically require collateral in respect of trade and other receivables.

The group provides for impairment of financial assets including trade and other receivables based on known events, and makes a collective provision for losses yet to be identified, based on historical data. The majority of the provision comprises specific amounts.

To measure expected credit losses, gross trade receivables are assessed regularly by each business locally with reference to considerations such as the current status of the relationship with the customer, the geographical location of each customer, and days past due (where applicable).

Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. These historical loss expectations are adjusted for current and forward-looking information where it is identified to be significant. The group considers factors such as national economic outlooks and bankruptcy rates of the countries in which its goods are sold to be the most relevant factors. Where the impact of these is assessed as significant, the historical loss expectations are amended accordingly.

The group considers credit risk to have significantly increased for debts aged 180 days or over and expects these debts to be provided for in full. Where the group holds insurance or has a legal right of offset with debtors who are also creditors, the loss expectation is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

	2019 £m	2018 £m
UK	**425**	466
Europe & Africa	**340**	302
The Americas	**175**	168
Asia Pacific	**309**	305
	1,249	1,241

Trade receivables can be analysed as follows:

	2019 £m	2018 £m
Not overdue	**965**	950
Up to one month past due	**82**	90
Between one and two months past due	**16**	18
Between two and three months past due	**8**	9
More than three months past due	**37**	30
Expected loss provision	**(24)**	(23)
	1,084	1,074

Trade receivables are stated net of the following expected loss provision:

	2019 £m	2018 £m
Opening balance	**23**	25
Increase charged to the income statement	**7**	6
Amounts released	**(3)**	(4)
Amounts written off	**(3)**	(4)
Amounts acquired through business combinations	**–**	1
Effect of movements in foreign exchange	**–**	(1)
Closing balance	**24**	23

No trade receivables were written off directly to the income statement in either year.

25. Financial instruments continued

The geographical and business line complexity of the group, combined with the fact that expected loss assessments are all performed locally, means that it is not practicable to present further analysis of expected losses.

In relation to other receivables not forming part of trade receivables, a similar approach has been taken to assess expected losses. No significant expected loss has been identified.

The directors consider that the carrying amount of trade and other receivables approximates fair value.

In the prior year, the impairment of trade and other receivables was assessed on an incurred loss model basis. Individual receivables that were considered to be uncollectable were written off by reducing the carrying value directly. Individual receivables were assessed to determine if there was evidence of impairment, and losses were recognised in a separate provision for impairment. The group considered the following to be indicators of evidence of impairment:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy; and
- default of late payments, the extent to which they were overdue being determined on a case-by-case basis with reference to the knowledge and communication with the debtor and their relationship with the business.

The group has a long history of a low level of bad debts. This, coupled with the geographical spread of the group's operations and its large and diverse customer base, means that IFRS 9 was not expected to result in a significant change to the group's trade and other receivables.

Cash and cash equivalents

Banking relationships are generally limited to those banks that are members of the core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. In locations where the core relationship banking group cannot be used, operating procedures including choice of bank, opening of bank accounts and repatriation of funds must be agreed with group Treasury. The group has not recorded impairments against cash or cash equivalents, nor have any recoverability issues been identified with such balances. Such items are typically recoverable on demand or in line with normal banking arrangements.

h) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. Group Treasury is responsible for monitoring and managing liquidity and ensures that the group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The group also has access to uncommitted facilities to assist with short-term funding requirements.

Available headroom is monitored via the use of detailed cash flow forecasts prepared by each business, which are reviewed at least quarterly, or more often, as required. Actual results are compared to budget and forecast each period, and variances investigated and explained. Particular focus is given to management of working capital.

Details of the group's borrowing facilities are given in section i) on page 164.

The following table analyses the contractual undiscounted cash flows relating to financial liabilities at the balance sheet date and compares them to carrying amounts:

		2019						
	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
Non-derivative financial liabilities								
Trade and other payables	19	(2,074)	(100)	(27)	(80)	(171)	(2,452)	(2,452)
Secured loans	18	(5)	(4)	–	(1)	–	(10)	(10)
Unsecured loans and overdrafts	18	(187)	(43)	(38)	(328)	–	(596)	(564)
Finance leases	26	(1)	(1)	(1)	(2)	(35)	(40)	(14)
Deferred consideration	20	–	(1)	–	(15)	(2)	(18)	(18)
Derivative financial liabilities								
– Currency derivatives (excluding cross-currency swaps) (net payments)		(10)	(4)	(1)	–	–	(15)	(20)
– Commodity derivatives (net payments)		(8)	(1)	–	–	–	(9)	(9)
Total financial liabilities		(2,285)	(154)	(67)	(426)	(208)	(3,140)	(3,087)

25. Financial instruments continued

	Note	2018 Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
Non-derivative financial liabilities								
Trade and other payables	19	(2,157)	(28)	(21)	(65)	(182)	(2,453)	(2,453)
Secured loans	18	(5)	(5)	(10)	–	–	(20)	(20)
Unsecured loans and overdrafts	18	(195)	(202)	(15)	(285)	(80)	(777)	(744)
Finance leases	26	(1)	(1)	(1)	(3)	(35)	(41)	(14)
Deferred consideration	20	–	(1)	(2)	(4)	(2)	(9)	(9)
Derivative financial liabilities								
Currency derivatives (excluding cross-currency swaps) (net payments)		(4)	(2)	–	–	–	(6)	(13)
Commodity derivatives (net payments)		(8)	–	(1)	–	–	(9)	(9)
Total financial liabilities		(2,370)	(239)	(50)	(357)	(299)	(3,315)	(3,262)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 14 September 2019.

The principal reasons for differences between carrying values and contractual undiscounted cash flows are coupon payments on the fixed rate debt to which the group is already committed, future interest payments on the group's finance leases, and cash flows on derivative financial instruments which are not aligned with their fair value.

i) Borrowing facilities

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 14 September 2019, in respect of which all conditions precedent have been met, amounted to £1,235m (2018 – £1,249m):

	2019			2018		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
£1.2bn syndicated facility	**1,200**	**–**	**1,200**	1,200	–	1,200
US private placement	**345**	**345**	**–**	573	573	–
Illovo	**98**	**65**	**33**	113	66	47
Other	**4**	**2**	**2**	2	–	2
	1,647	**412**	**1,235**	1,888	639	1,249

Uncommitted facilities available at 14 September 2019 were:

	2019			2018		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Money market lines	**100**	**–**	**100**	100	–	100
Illovo	**206**	**90**	**116**	179	62	117
Azucarera	**66**	**29**	**37**	80	22	58
China banking	**40**	**–**	**40**	6	–	6
Other	**153**	**43**	**110**	159	41	118
	565	**162**	**403**	524	125	399

In addition to the above facilities there are also £75m (2018 – £73m) of undrawn and available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

The group also has £14m (2018 – £14m) of finance lease liabilities which are not included in the tables above, but which are included in the group's loans and overdrafts in note 18.

The group has a £1.2bn syndicated facility which matures in July 2021. In addition to the bank debt, the Company has £345m of private placement notes in issue to institutional investors in the US and Europe. At 14 September 2019, these had an average remaining duration of 2.7 years and an average fixed coupon of 4.4%. The other significant core committed debt facilities comprise local committed facilities in Illovo.

Uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time.

Refer to note 9 for details of the group's capital commitments and to note 27 for a summary of the group's guarantees. An assessment of the group's current liquidity position is given in the Financial review on page 51.

25. Financial instruments continued

j) Capital management

The capital structure of the group is presented in the balance sheet. The statement of changes in equity provides details on equity and note 18 provides details of loans and overdrafts. Short and medium-term funding requirements are provided by a variety of loan and overdraft facilities, both committed and uncommitted, with a range of counterparties and maturities. Longer term funding is sourced from a combination of these facilities, the private placement notes and committed syndicated loan facilities.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to enable successful future development of the business. The board monitors return on capital by division and determines the overall level of dividends payable to shareholders.

From time to time the trustee of the Employee Share Ownership Plan Trust purchases the Company's shares in the market to satisfy awards under the group's incentive plans. Once purchased, shares are not sold back into the market. The group does not have a defined share buy-back plan.

There were no changes to the group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally-imposed capital requirements.

k) Implementation of IFRS 9 *Financial Instruments*

IFRS 9 was adopted using the modified transition approach without restating comparative information. No reclassifications or adjustments were required in the opening balance sheet on 16 September 2018.

The adoption of IFRS 9 resulted in changes to the group's accounting policies in the three key areas of classification and measurement, impairment and hedge accounting.

Classification and measurement

As of 16 September 2018, the group assessed which business models apply to each category of its financial assets and classified them into the three categories defined by IFRS 9: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). All assets previously classified as amortised cost retained this classification. All assets previously classified as available for sale were irrevocably designated as FVOCI, whereby any gains or losses on eventual disposal are included directly in retained earnings and are not recycled to the income statement. All assets previously classified as loans and receivables were classified as amortised cost. All assets previously classified as FVPL retained this classification.

There were no changes in classification of financial liabilities.

This can be summarised as follows:

	Original classification under IAS 39	New classification under IFRS 9
Non-current financial assets		
Investments (recorded within other non-current receivables)	Available for sale	FVOCI
Other non-current receivables	Amortised cost	Amortised cost
Current financial assets		
Cash and cash equivalents	Amortised cost	Amortised cost
Current asset investments	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Derivatives not designated in a hedging relationship	FVPL	FVPL
Derivatives designated in a hedging relationship	FVPL but with gains and losses recorded in the hedging reserve when effective	FVPL but with gains and losses recorded in the hedging reserve when effective
Current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Loans and other financial liabilities	Amortised cost	Amortised cost
Derivatives not designated in a hedging relationship	FVPL	FVPL
Derivatives designated in a hedging relationship	FVPL but with gains and losses recorded in the hedging reserve when effective	FVPL but with gains and losses recorded in the hedging reserve when effective
Non-current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Loans and other financial liabilities	Amortised cost	Amortised cost

25. Financial instruments continued

Impairment

The group holds the following types of financial assets subject to IFRS 9's new expected credit loss model:

- Other non-current receivables
- Trade receivables
- Other receivables

The group revised its impairment methodology under IFRS 9 for each of these classes of assets. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. There were no adjustments required in the opening balance sheet as at 16 September 2018. Further information is given earlier in this note.

Hedge accounting

The new principles for hedge accounting provide a more flexible framework which is better aligned with the economic decision-making of the group. All hedge relationships were regarded as continuing hedge relationships, as all which were designated hedges under IAS 39 as at 15 September 2018 met the criteria for hedge accounting under IFRS 9 as the group's risk management strategies and hedge documentation were aligned to the new standard.

Under IAS 39, the group included the currency basis within the hedge relationship. On transition, IFRS 9 allows the choice to separate aspects of the costs of hedging from the designation within a hedge relationship as part of the hedging instrument. Similarly under IFRS 9 in relation to cross-currency swaps, the currency basis is excluded from the hedge designation and recognised in the cost of hedging reserve. The balance in the cost of hedging reserve was not significant as at 16 September 2018 or at 14 September 2019.

26. Lease commitments

Operating leases

The group acts as a lessee, lessor and sub-lessor for land and buildings, and plant and machinery, under operating leases.

Rental receipts of £8m (2018 – £7m) were recognised in the income statement in the period relating to operating leases. The total of future minimum rental receipts expected to be received is £50m (2018 – £45m).

Under the terms of the lease agreements, no contingent rents are payable.

The future minimum lease payments under operating leases are as follows:

	2019 land and buildings £m	**2019 plant and equipment £m**	**2019 total £m**	2018 land and buildings £m	2018 plant and equipment £m	2018 total £m
Within one year	**342**	**19**	**361**	315	12	327
Between one and five years	**1,423**	**27**	**1,450**	1,280	18	1,298
After five years	**3,401**	**1**	**3,402**	2,989	–	2,989
	5,166	**47**	**5,213**	4,584	30	4,614

Finance leases

Finance lease liabilities are payable as follows:

	2019 minimum lease payments £m	**2019 interest £m**	**2019 principal £m**	2018 minimum lease payments £m	2018 interest £m	2018 principal £m
Within one year	**2**	**1**	**1**	2	1	1
Between one and five years	**4**	**3**	**1**	4	3	1
After five years	**34**	**22**	**12**	35	23	12
	40	**26**	**14**	41	27	14

27. Contingencies
Litigation and other proceedings against companies in the group are not considered material in the context of these financial statements.

Where group companies enter into financial guarantee contracts to guarantee the indebtedness of other group companies, the group considers these to be insurance arrangements and has elected to account for them as such in accordance with IFRS 4. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the relevant group company issuing the guarantee will be required to make a payment under the guarantee.

As at 14 September 2019, group companies have provided guarantees in the ordinary course of business amounting to £1,902m (2018 – £1,661m).

28. Related parties
The group has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 29. The group has a related party relationship with its associates and joint ventures (see note 29) and with its directors. In the course of normal operations, related party transactions entered into by the group have been contracted on an arm's length basis.

Material transactions and year end balances with related parties were as follows:

	Sub note	**2019 £000**	2018 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**1,143**	1,045
Dividends paid by Associated British Foods and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	**12,083**	11,685
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**5,941**	3,071
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	2	**82**	62
Sales to fellow subsidiary undertakings on normal trading terms	3	**75**	48
Sales to companies with common key management personnel on normal trading terms	4	**16,014**	16,043
Commissions paid to companies with common key management personnel on normal trading terms	4	**1,103**	1,215
Amounts due from companies with common key management personnel	4	**1,880**	1,887
Sales to joint ventures on normal trading terms		**12,744**	14,186
Sales to associates on normal trading terms		**31,174**	39,822
Purchases from joint ventures on normal trading terms		**380,176**	395,279
Purchases from associates on normal trading terms		**15,739**	14,577
Amounts due from joint ventures		**46,102**	48,775
Amounts due from associates		**2,620**	3,771
Amounts due to joint ventures		**27,962**	40,715
Amounts due to associates		**1,282**	857

1. The Garfield Weston Foundation ('the Foundation') is an English charitable trust, established in 1958 by the late W. Garfield Weston. The Foundation has no direct interest in the Company, but as at 14 September 2019 was the beneficial owner of 683,073 shares (2018 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2018 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 14 September 2019 trustees of the Foundation comprised four grandchildren of the late W. Garfield Weston and five children of the late Garry H. Weston.
2. Details of the directors are given on pages 68 and 69. Their interests, including family interests, in the Company and its subsidiary undertakings are given on pages 101 and 102. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration report on pages 83 to 106.
3. The fellow subsidiary undertakings are Fortnum and Mason plc and Heal & Son Limited.
4. The companies with common key management personnel are the George Weston Limited group, in Canada, and Selfridges & Co. Limited.

Amounts due from joint ventures include £44m (2018 – £47m) of finance lease receivables (see note 13). The remainder of the balance is trading balances. All but £5m (2018 – £5m) of the finance lease receivables are non-current.

29. Group entities

Control of the group

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited ('Wittington'), the accounts of which are available at Companies House, Crown Way, Cardiff CF14 3UZ. It is the ultimate holding company, is incorporated in Great Britain and is registered in England.

At 14 September 2019 Wittington, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2018 – 431,515,108) representing in aggregate 54.5% (2018 – 54.5%) of the total issued ordinary share capital of Associated British Foods plc.

Wittington, and, through their control of Wittington, the trustees of the Garfield Weston Foundation ('the Foundation') are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 14 September 2019, have a combined interest in approximately 59.53% (2018 – 59.15%) of the Company's voting rights. Information on the relationship agreement between the Company and its controlling shareholders is set out on page 107 of the Directors' report.

Subsidiary undertakings

A list of the group's subsidiaries as at 14 September 2019 is given below. The entire share capital of subsidiaries is held within the group except where the group's ownership percentages are shown. These percentages give the group's ultimate interest and therefore allow for the occasional situation where subsidiaries are owned by partly-owned intermediate subsidiaries. Where subsidiaries have different classes of shares, this is largely for historical reasons and the effective percentage holdings given represent both the group's voting rights and equity holding. Shares in ABF Investments plc are held directly by Associated British Foods plc. All other holdings in subsidiaries are owned by members of the Associated British Foods plc group. All subsidiaries are consolidated in the group's financial statements.

Subsidiary undertakings	% effective holding if not 100%
United Kingdom	
Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom	
A.B. Exploration Limited	
A.B.F. Holdings Limited	
A.B.F. Nominees Limited	
A.B.F. Properties Limited	
AB Agri Limited	
AB Foods Australia Limited	
AB Ingredients Limited	
AB Mauri (UK) Limited	
AB Mauri China Limited	
AB Mauri Europe Limited	
AB Sugar China Holdings Limited	
AB Sugar China Limited	
AB Sugar China North Limited	
AB Sugar Limited	
AB Technology Limited	
AB World Foods (Holdings) Limited	
AB World Foods Limited	
ABF (No. 1) Limited	
ABF (No. 2) Limited	
ABF (No. 3) Limited	
ABF BRL Finance Ltd	
ABF Europe Finance Limited	
ABF European Holdings Limited	
ABF Finance Limited	
ABF Food Tech Investments Limited	
ABF Funding	
ABF Grain Products Limited	
ABF Green Park Limited	
ABF Grocery Limited	
ABF HK Finance Limited	
ABF Ingredients Limited	
ABF Investments plc	
ABF Japan Limited	
ABF MXN Finance Limited	
ABF Overseas Limited	
ABF PM Limited	

Subsidiary undertakings	% effective holding if not 100%
ABF UK Finance Limited	
ABF US Holdings Limited	
ABN (Overseas) Limited	
ABNA Feed Company Limited	
ABNA Limited	
Agrilines Limited	
Allied Bakeries Limited	
Allied Grain (Scotland) Limited	
Allied Grain (South) Limited	
Allied Grain (Southern) Limited	
Allied Grain Limited	
Allied Mills Limited	
Allied Technical Centre Limited	
Allinson Limited	
Associated British Foods Pension Trustees Limited	
Atrium 100 Properties Limited	
Atrium 100 Stores Holdings Limited	
Atrium 100 Stores Limited	
B.E. International Foods Limited	
Banbury Agriculture Limited	
British Sugar (Overseas) Limited	
British Sugar plc	
BSO (China) Limited	
Cereal Industries Limited	
Cereform Limited	
Davjon Food Limited	
Dorset Cereals Limited	
Eastbow Securities Limited	
Elsenham Quality Foods Limited	
Fishers Feeds Limited	
Fishers Seeds & Grain Limited	
Food Investments Limited	
G. Costa (Holdings) Limited	
G. Costa and Company Limited	
Germain's (U.K.) Limited	
H 5 Limited	
Illovo Sugar Africa Holdings Limited	
John K. King & Sons Limited	
Kingsgate Food Ingredients Limited	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
LeafTC Limited	
Mauri Products Limited	
Mitra Sugar Limited	
Mountsfield Park Finance Limited	
Nere Properties Limited	
Nutrition Trading (International) Limited	
Nutrition Trading Limited	
Patak (Spices) Limited	
Patak Food Limited	
Patak's Breads Limited	
Patak's Foods 2008 Limited	
Premier Nutrition Products Limited	
Pride Oils Public Limited Company	
Primark (U.K.) Limited	
Primark Austria Limited	
Primark Mode Limited	
Primark Pension Administration Services Limited	
Primark Stores Limited	
Primary Diets Limited	
Primary Nutrition Limited	
Pro-Active Nutrition Limited	
R. Twining and Company Limited	
Reflex Nutrition Limited	
Roses Nutrition Ltd	
Seedcote Systems Limited	
Serpentine Securities Limited	
Sizzlers Limited	
Sizzles Limited	
Spectrum Aviation Limited	
Speedibake Limited	
Sunblest Bakeries Limited	
The Bakery School Limited	
The Billington Food Group Limited	
The Home Grown Sugar Company Limited	
The Jordans & Ryvita Company Limited	
The Natural Sweetness Company Limited	
The Roadmap Company Limited	
The Silver Spoon Company Limited	
Tip Top Bakeries Limited	
Trident Feeds Limited	
Twining Crosfield & Co. Limited	
Vivergo Fuels Limited	
W. Jordan & Son (Silo) Limited	
W. Jordan (Cereals) Limited	
Wereham Gravel Company Limited (The)	
Westmill Foods Limited	
Weston Biscuit Company Limited (The)	
Weston Foods Limited	
Weston Research Laboratories Limited	
Worldwing Investments Limited	
1 College Place North, Belfast, BT1 6BG, United Kingdom	
James Neill, Limited	
Unit 4, 211 Castle Road, Randalstown, Co. Antrim, BT41 2EB, United Kingdom	
Jordan Bros. (N.I.) Limited	
Nutrition Services (International) Limited	
Vistavet Limited	
180 Glentanar Road, Glasgow, G22 7UP, United Kingdom	
ABN (Scotland) Limited	
Miller Samuel LLP, RWF House, 5 Renfield Street, Glasgow, G2 5EZ, United Kingdom	
Korway Foods Limited	
Korway Holdings Limited	
Patak's Chilled Foods Limited	
Patak's Frozen Foods Limited	

Subsidiary undertakings	% effective holding if not 100%
Argentina	
Mariscal Antonio José de Sucre 632 – 2nd Floor, Buenos Aires 1428, Argentina	
AB Mauri Hispanoamerica S.A.	
Surgras S.A (in liquidation)	
Av. Raul Alfonsin, Monte Chingolo, Buenos Aires 3145, Argentina	
Compañía Argentina De Levaduras S.A.I.C.	
Australia	
Building A, Level 2, 11 Talavera Road, North Ryde, NSW 2113, Australia	
AB Mauri Overseas Holdings Limited	
AB Mauri Pakistan Pty Limited	
AB Mauri ROW Holdings Pty Limited	
AB Mauri South America Pty Limited	
AB Mauri South West Asia Pty Limited	
AB Mauri Technology & Development Pty Limited	
AB Mauri Technology Pty Limited	
AB World Foods Pty Ltd	
Anzchem Pty Limited	
Dagan Trading Pty Ltd	
Food Investments Pty. Limited	
George Weston Foods (Victoria) Pty Ltd	
George Weston Foods Limited	
Indonesian Yeast Company Pty Limited	
Mauri Fermentation Brazil Pty Limited	
Mauri Fermentation Chile Pty Limited	
Mauri Fermentation China Pty Limited	
Mauri Fermentation India Pty Limited	
Mauri Fermentation Indonesia Pty Limited	
Mauri Fermentation Malaysia Pty Limited	
Mauri Fermentation Philippines Pty Limited	
Mauri Fermentation Vietnam Pty Limited	
Mauri Yeast Australia Pty Limited	
N&C Enterprises Pty Ltd	
NB Love Industries Pty Ltd	
Serrol Ingredients Pty Limited	
The Jordans and Ryvita Company Australia Pty Ltd	
Yumi's Quality Foods Pty Ltd	
35-37 South Corporate Avenue, Rowville, VIC 3178, Australia	
AB Food & Beverages Australia Pty. Limited	
170 South Gippsland Highway, Dandenong, VIC 3175, Australia	
ABF Wynyard Park Limited Partnership	
Austria	
Schottenring 19, 1010 Wien, Austria	
Primark Austria Ltd & Co KG	
Bangladesh	
Level 13 Shanta Western Tower, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A, Dhaka 1208, Bangladesh	
Twinings Ovaltine Bangladesh Limited	
Belgium	
Industriepark 2d, 9820 Merelbeke, Belgium	
AB Mauri Belgium NV	
Boulevard Raymond Poincare 07/113, 4020 Liege, Belgium	
Primark SA	
Brazil	
Avenida Tietê, L-233 Barranca do Rio Tietê, City of Pederneiras, State of Sao Paulo, CEP 17.280-000, Brazil	
AB Brasil Indústria e Comércio de Alimentos Ltda	
Alameda Madeira 328, 20th Floor, Room 2005, Alphaville – Barueri, Sao Paulo 06454-010, Brazil	
AB Enzimas Brasil Comercial Ltda	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
Rua Cardeal Arcoverde. 1641 9th Floor, Sao Paulo, 05407002, Brazil	
AB Vista Brasil Comércio De Alimentação Animal Ltda	
Canada	
Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9, Canada	
AB Mauri (Canada) Limited	
Chile	
Miraflores Street No. 222, 28 Floor, Santiago, Chile	
Calsa Chile Inversiones Limitada	
China	
No. 1 Tongcheng Street, A Cheng District, Harbin, Heilongjiang Province, China	
AB (Harbin) Food Ingredients Company Limited	
Harbin Mauri Yeast Co., Ltd.	
North Huang He Road, Rudong New Economic Development Zone, Nantong City, Jiangsu Province, China	
AB Agri Animal Nutrition (Nantong) Co., Ltd	
AB Agri Animal Nutrition (Rudong) Co., Ltd.	
Chuangxin Road, Tonggu Industry Zone, Sandu Town, Tonggu County, Jiangxi Province, China	
AB Agri Pumeixin Tech (Jiangxi) Co. Ltd.	
No. 889 West Yan An Road, Changning District, Shanghai, 200050, China	
AB Enzymes Trading (Shanghai) Co., Ltd	
ABNA Management (Shanghai) Co., Ltd.	
ABNA Trading (Shanghai) Co., Ltd	
Room 2906 29/F Changning Raffles Tower 2, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	
Associated British Foods Holdings (China) Co., Ltd	
Suite 702, Fosun International Center, No. 237 Chaoyangbei Road, Beijing, Chaoyang District, China	
AB Mauri (Beijing) Food Sales and Marketing Company Limited	
Xinsha Industrial Zone, Machong Town, Dongguan, Guangdong Province, China	
AB Mauri Food (Dongguan) Co., Ltd.	
Building 1, 35 Chi Feng Road , Yangpu District, Shanghai 200092, China	
AB Mauri Foods (Shanghai) Company Limited	90%
South Ge XinDaDao, West WuZiGou, Wuhan, DongXHu District 430040, China	
AB Tip Top (Wuhan) Baking Co Ltd	
Building T3-4, No. 5001, Huadong Road, Shanghai Jinqiao Export Processing Zone (SA), Customs Supervised Area, Pudong New Area, Shanghai 201201, China	
ABF Twinings Beverages (Shanghai) Limited	
868 Yongpu Road, Pujiang Town, Minhang District, Shanghai 201112, China	
ABNA (Shanghai) Feed Co., Ltd.	
14 Juhai Road, Jinghai Development Zone, Tianjin, China	
ABNA (Tianjin) Feed Co, Ltd	
Shu Shan Modern Industrial Zone of Shou County, Huainan City, Anhui Province, China	
ABNA Feed (Anhui) Co., Ltd.	
145 Xincheng Road, Tengao Economic Development Zone, Anshan, Liaoning 114225, China	
ABNA Feed (Liaoning) Co., Ltd.	
17 Xiangyang Street, Tu Township, Chayou Qianqi , Inner Mongolia, China	
Botian Sugar Industry (Chayou Qianqi) Co., Ltd.	
No. 1 Botian Road, Economic Development Zone, Zhangbei County, Zhangjiakou City, Hebei Province, China	
Botian Sugar Industry (Zhangbei) Co., Ltd.	
Development Zone Administration Tower, No. 368 Changjiang Road, Nangang District, Haibin, Hieilongjiang Province, China	
Botian Sugar Industry Co., Ltd.	
1 Industrial North Street, Zhangjiakou, Zhangbei County, Hebei Province, China	
Hebei Mauri Food Co., Ltd.	
Meishan Industrial Estate, Huangge Town, Nansha District, Guangzhou City, Guangdong Province, China	
Meishan Mauri Yeast Co., Ltd. (in liquidation)	
Panyu Mauri Food Co., Ltd.	
8 Lancun Road, Economic and Technical Development Zone, Minhang, Shanghai 200245, China	
Shanghai AB Food & Beverages Co., Ltd	
Jie Liang Zi,Huo Cheug, Yi Li, Xinjiang, China	
Xinjiang Mauri Food Co., Ltd.	90%
No. 68-1, Shuanglong Road, Fushan District, Yantai City, Shandong Province, China	
Yantai Mauri Yeast Co., Ltd.	92%
Colombia	
Cra 35# 34A-64, Palmira, Valle, Colombia	
Fleischmann Foods S.A.	
Czech Republic	
Nádražní 523, Czech Republic	
Bodit Tachov s.r.o.	
Karolinská 661/4, Karlín, 186 00 Praha 8, Czech Republic	
Primark Prodejny s.r.o.	
Denmark	
Skjernvej 42,Trøstrup, 6920 Videbæk, Denmark	
Agro Korn A/S	
Ecuador	
Medardo Ángel Silva 13 y Panamá, Manzana 12, El Recreo, Eloy Alfaro, Durán, Guayas, Ecuador	
ABCALSA S.A.	
Eswatini	
Ubombo Sugar Limited, Old Main Road, Big Bend, Eswatini	
Bar Circle Ranch Limited	60%
Illovo Swaziland Limited	60%
Moyeni Ranch Limited	60%
Ubombo Sugar Limited	60%
Finland	
Tykkimäentie 15b (PO Box 26), Rajamäki, FI-05200, Finland	
AB Enzymes Oy	
Tykkimäentie 15b (PO Box 57), Rajamäki, FI-05201, Finland	
Enzymes Leasing Finland Oy	
France	
40/42, avenue Georges Pompidou, 69003, à Lyon, France	
AB Mauri France SAS	
75 Square Haussmann, 75008, Paris, France	
ABFI France SAS	
5 Boulevard de l'Oise, Immeuble Le Rond Point, 95000 Cergy Pontoise, Cédex, France	
Foods International S.A.S.	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
3/5 Rue Saint-Georges, 75009, Paris, France	
Primark France SAS	
Chemin du Vallon du maire, 13240, Septemes les Vallons, France	
SPI Pharma SAS	
Germany	
Feldbergstrasse 78, 64293, Darmstadt, Germany	
AB Enzymes GmbH	
Wandsbeker Zollstrasse 59, 22041, Hamburg, Germany	
ABF Deutschland Holdings GmbH	
Ohly GmbH	
Ohly Grundbesitz GmbH	
Rheinische Presshefe- und Spritwerke GmbH	
Kennedyplatz 2, 45127, Essen, Germany	
Primark Mode Ltd. & Co. KG	
Primark Property GmbH	
Marie-Kahle-Allee 2, D-53113, Bonn, Germany	
Westmill Foods Europe GmbH	
Guernsey	
Dorey Court, Admiral Park, St. Peter Port, GY1 2HT, Guernsey	
Talisman Guernsey Limited	
Hong Kong	
7/F DCH Building, 20 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong	
Associated British Foods Asia Pacific Holdings Limited	
India	
#218 & #219, Bommasandra – Jigani Link Road, Anekal Taluk, Bangalore, 560105, India	
AB Mauri India (Private) Limited	
First Floor, Regent Sunny Side, 80 Ft Road, 8th Block, Koramangala Bengaluru, Karnataka, 560030, India	
SPI Specialties Pharma Private Limited	
8, Acharya Jagadish Chandra Bose Road, Kolkata, 700017, India	
Twinings Private Limited	
Indonesia	
Wisma GKBI Lt.39, Suite 3901, No.28 Jl. Jend, Sudirman, Jakarta , Indonesia	
PT AB Food & Beverages Indonesia (in liquidation)	
Ireland	
47 Mary Street, Dublin 1, Ireland	
Abdale Finance Limited	
Primark Holdings	
Primark Pension Trustees Limited	
Proofex Products Company Unlimited Company (in liquidation)	
Vistavet (Ireland) Limited	
Yeast Products Company Unlimited Company (in liquidation)	
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland	
Allied Mills Ireland Limited	
Arthur Ryan House, 22-24 Parnell Street, Dublin 1, Ireland	
Primark Limited	
Italy	
Via Milano 42, 27045, Casteggio, (Pavia), Italy	
AB Mauri Italy S.p.A.	
ABF Italy Holdings S.r.l.	
Primark Italy S.r.l.	
Via Montanara 22/24, 40051, Castelnuovo Rangone (MO), Italy	
Acetaia di Modena S.r.l	

Subsidiary undertakings	% effective holding if not 100%
Via Rizzotto 46, 41126, Modena (MO), Italy	
Acetaia Fini Modena S.r.l.	
Via Sandro Pertini 440, 401314, Cavezzo (MO), Italy	
Acetum S.p.A.	
Via Allende 9/D, 41032, Cavezzo (MO), Italy	
Antica Acetaia Simonini S.r.l.	
Via Ettore Bugatti 11, 20142, Milan, Italy	
Italmill S.p.A	
Japan	
36F Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo 105-6236, Japan	
Twinings Japan Co Ltd	50%
Jersey	
CTV House, La Pouquelaye, St Helier, JE2 3TP, Jersey	
Bonuit Investments Limited	
Luxembourg	
9 Allee Scheffer, Luxembourg, L2520, Luxembourg	
ABF European Holdings & Co SNC (in liquidation)	
Malawi	
Illovo House, Churchill Road, Limbe, Malawi	
Dwangwa Sugar Corporation Limited	76%
Illovo Sugar (Malawi) plc	76%
Malawi Sugar Limited	
Malaysia	
No 118, Jalan Pudu, 1st Floor, 55100 Kuala Lumpur, Malaysia	
AB Mauri Malaysia Sdn. Bhd.	52%
Malta	
57 St. Christopher Street, Valletta, VLT1462, Malta	
Relax Limited	70%
Mauritius	
10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius	
Illovo Group Financing Services Limited	
Illovo Group Holdings Limited	
Illovo Group Marketing Services Limited	
Kilombero Holdings Limited	73%
Sucoma Holdings Limited	
Mexico	
Paseo de la Reforma No 2620, Edificio Reforma Plus, piso 8, 803, 804 y 803, Col. Lomas Atlas, DF 11950, Mexico	
AB CALSA S.A. de C.V.	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.	
Av. Prolongacion Paseo de la Reforma No. 1015, Torre "A", piso 14 Col., Santa Fe, Cuajimalpa, Ciudad de México, 05348, Mexico	
ACH Foods Mexico, S. de R.L. de C.V.	
Servicios Alimentos Capullo, S. de R.L. de C.V.	
Mozambique	
KM75 EN1, Maçiana, Distrito de Manhiça, Provincia de Maputo, Mozambique	
Maragra Açucar, S.A.	90%
Netherlands	
Mijlweg 77, 3316 BE, Dordrecht, Netherlands	
AB Mauri Netherlands B.V.	
Luna ArenA, Herikerbergweg 238, 1101 CM, Amsterdam Zuidoost, Netherlands	
AB Mauri Netherlands European Holdings B.V.	
Foods International Holding B.V.	
Primark Fashion B.V.	
Primark Netherlands B.V.	
Primark Stil B.V.	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
Weena 505, 3013AL Rotterdam, Netherlands	
AB Vista Europe B.V.	
7122 JS Aalten, Dinxperlosestraatweg 122, Netherlands	
Germains Seed Technology B.V.	
Brieltjenspolder 16, 4921 PJ Made, Netherlands	
Mauri Technology B.V.	
Stadhuisstrat 3, 5038XZ, Tilburg, Netherlands	
Primark Austria B.V.	
Primark Germany B.V.	
Dalsteindreef 141, Diemen, 1112XJ, Netherlands	
Westmill Foods Europe B.V.	
New Zealand	
Building 3, Level 2, 666 Great South Road, Ellerslie, Auckland 1051, New Zealand	
Allied Foods (NZ) Ltd	
Anzchem NZ Limited	
George Weston Foods (NZ) Limited	
New Zealand Food Industries Limited	
Nigeria	
23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria	
Twinings Ovaltine Nigeria Limited	
Pakistan	
21KM Ferozepur Road, 2k KM Hadyara Drain, Lahore, Pakistan	
AB Mauri Pakistan (Private) Limited	60%
Peru	
Av. Argentina No. 1227, Callao, Peru	
Calsa Perú S.A.C.	
Philippines	
86 E Rodriguez Jr. Ave., Ugong Norte, QC,1604, Pasig City, Metro Manila, Philippines	
AB Food & Beverages Philippines, Inc.	99%
1201-1202 Prime Land Building, Market Street, Madrigal Business Park, Ayala Alabang, Muntinlupa,1770, Philippines	
AB Mauri Philippines, Inc.	
Poland	
Przemysłowa 2, 67-100 Nowa Sól, Lubuskie, Poland	
AB Foods Polska Spólka z ograniczona odpowiedzialnoscia (AB Foods Polska Sp. z o.o.)	
ul. Rabowicka 29/31, 62-020, Swarzędz – Jasin, Poland	
Primark Sklepy spolka z ograniczona odpowiedzialnoscia (Primark Sklepy sp. z.o.o)	
R. Twining and Company Spółka z ograniczona odpowiedzialnoscia (R. Twining and Company Sp. z o. o.)	
ul. Główna 3A, Bruszczewo, 64-030, migiel, Poland	
AB Agri Polska spolka z organiczona odpowiedzialnoscia (AB Agri Polska sp.z.o.o)	
Portugal	
Avenida Salvador Allende, n.º 99, Lisboa Oeiras, Julião da Barra, Paço de Arcos e Caxias, 2770-157, Paco de Arcos, Portugal	
AB Mauri Portugal, S.A.	96%
Praça Marquês de Pombal, 1-8º, 1250 – 160 Lisbon, Portugal	
Lojas Primark Portugal – Exploracao, Gestao e Administracao de Espacos Comerciais S.A.	

Subsidiary undertakings	% effective holding if not 100%
Rwanda	
Shop number E002B, 1st Floor, CHIC Building, Nyarugenge District, Nyarugenge Sector, Kigali City, Rwanda	
Illovo Sugar (Kigali) Limited	
Singapore	
80 Robinson Road, #02-00, 068898 Singapore	
AB Mauri Investments (Asia) Pte Ltd	
112 Robinson Road #05-01, 068902 Singapore	
AB Vista Asia Pte. Limited	
Slovakia	
Dvorakovo nabrezie 4, Bratislava 811 02, Slovakia	
Primark Slovakia s.r.o.	
Slovenia	
Cesta v Mestni log 88A, Ljubljana 1000, Slovenia	
Primark Trgovine, trgovsko podjetje, d.o.o.	
South Africa	
1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal, 4320, South Africa	
CGS Investments (Pty) Limited	
East African Supply (Pty) Limited	
Glendale Sugar (Pty) Ltd	
Illovo Distributors (Pty) Limited	
Illovo Sugar (South Africa) Proprietary Limited	
Illovo Sugar Africa Proprietary Limited	
Illprop (Pty) Limited	
Lacsa (Pty) Limited	70%
Noodsberg Sugar Company (Pty) Ltd	
Reynolds Brothers (Pty) Ltd	
S.A. Sugar Distributors (Pty) Limited	
Smithchem (Pty) Limited	
Umzimkulu Sugar Company (Pty) Ltd	
Spain	
Avenida de Manoteras 46 bis, Edificio Delta Norte, 28050, Madrid, Spain	
AB Azucarera Iberia, S.L. Sociedad Unipersonal	
AB Mauri Food, S.A	
AB Mauri Spain, S.L.U.	
AB Vista Iberia, S.L.	
Levadura 5, Villarrubia 14710, Cordoba, Spain	
ABF Iberia Holding S.L.	
C/ Escultor Coomonte Bl. 2, Entreplanta, Benavente, Zamora, Spain	
Agroteo S.A.	53%
Calle Comunidad do Murcia, Parcela LIE-1-03, Plataforma Logistica de Fraga, 22520, Huesca, Spain	
Alternative Swine Nutrition, S.L.	
Avienda Virgen de Montserrat, 44 Castelloli, 08719, Barcelona, Spain	
Germains Seed Technology, S.A.	
Plaza Pablo Ruiz Picasso S/N, Torre Picasso, Planta 37, Madrid, Spain	
Illovo Sugar Espana, S.L.	
Gran Via, 32 5o 28013, Madrid, Spain	
Primark Tiendas, S.L.U.	
8, 2 Calle Via Servicio I, 2 CP, 19190 Torija, Guadalajara, Spain	
Primark Logistica, S.L. Sociedad Unipersonal	
Sri Lanka	
124 Templers Road, Mount Lavinia, Sri Lanka	
AB Mauri Lanka (Private) Limited	
Switzerland	
Fabrikstrasse 10, CH-3176, Neuenegg, Switzerland	
Wander AG	
Taiwan	
5F, No. 217, Sec 3, Nanking E Rd, Taipei City, 104, Taiwan (R.O.C.)	
AB Food and Beverages Taiwan, Inc.	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
Tanzania	
Msolwa Mill Office, Kidatau, Kilombero District, Tanzania	
Illovo Distillers (Tanzania) Limited	80%
Illovo Tanzania Limited	
Kilombero Sugar Company Limited	55%
Thailand	
11th Floor, 2535 Sukhumvit Road, Kwaeng Bangchak, Khet Prakhanong, Bangkok, 10260, Thailand	
AB Food & Beverages (Thailand) Ltd.	
ABF Holdings (Thailand) Ltd.	
1 Empire Tower, 24th Floor, Unit 2412-2413, South Sathorn Road, Yannawa, Sathorn, Bangkok, 10120, Thailand	
AB World Foods Asia Ltd	
229/110 Moo 1, Teparak Road, T. Bangsaothong, A. Bangsaothong, Samutprakarn, 10540, Thailand	
Jasol Asia Pacific Limited	
Turkey	
Aksakal Mahallesi, Kavakpinari, Kume Evleri No. 5, Bandirma- Balikesir, 10245, Turkey	
Mauri Maya Sanayi A.S.	
United Arab Emirates	
Office 604[a], Jafza LOB 15, Jebel Ali Freezone, Dubai, PO BOX 17620, United Arab Emirates	
AB Mauri Middle East FZE	
United States	
CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017, United States	
AB Mauri Food Inc.	
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	
AB Enzymes, Inc.	
AB Vista, Inc.	
AB World Foods US, Inc.	
ABF North America Corp.	
ABF North America Holdings, Inc.	
Abitec Corporation	
ACH Food Companies, Inc.	
ACH Jupiter LLC	
B.V. ABF Delaware, Inc.	
Germains Seed Technology, Inc.	
PGP International, Inc.	
Primark US Corp.	
SPI Pharma, Inc.	

Subsidiary undertakings	% effective holding if not 100%
SPI Polyols, LLC	
Twinings North America, Inc.	
155 Federal Street, Suite 700, Boston MA 02110, United States	
Primark GCM LLC	
158 River Road, Unit B, Clifton, NJ 07014, United States	
Balsamic Express LLC	
158 River Road, Unit A, Clifton, NJ 07014, United States	
Modena Fine Foods, Inc.	
2590 Pioneer Avenue, Suite D, Vista, CA 92081	
PennyPacker, LLC	80%
18757 Burbank Blvd., Suite 212, Tarzana, CA 91356	
Prosecco Source, LLC	
Uruguay	
Cno. Carlos Antonio Lopez 7547, Montevideo, Uruguay	
Levadura Uruguaya S.A.	
Venezuela	
Av. Rio Caura, Torre Humboldt, Piso 16, Of. 16-12. Urb. Prados del Este, Caracas, Estado Miranda, Bolivarian Republic of Venezuela	
Alimentos Fleischmann, C.A.,	
Oficinas Once 3 (N° 11-3) y Once 4 (N° 11-4), Torre Mayupan, Centro Comercial San Luis, Av.Principal Urbanización San Luis, cruce con Calle Comercio, Caracas, Bolivarian Republic of Venezuela	
Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	
Vietnam	
Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Choi Minh City, Vietnam	
AB Agri Vietnam Company Limited	
Km 102, Highway 20, La Nga Commune – Dinh Quan District, Dong Nai Province, Vietnam	
AB Mauri Vietnam Limited	66%
Zambia	
Nakambala Estates, Plot No. 118a Lubombo Road, Off Great North Road, Zambia	
Illovo Sugar (Zambia) Limited	
Nanga Farms PLC	75%
Tukunka Agricultural Limited	75%
Zambia Sugar plc	75%

Lusaka Stock Exchange (LuSE) regulations require all listed companies in Zambia to have a minimum of 25% of their shares held by public investors to constitute a free float. As a result, Illovo Sugar was required to reduce its shareholding in Zambia Sugar plc by 6.6%. Effective 26 September 2014, 5.1% of the shares were sold to local Zambian institutional investors. Further, as agreed with the LuSE, the remaining 1.5% were offered and sold to a local Zambian institutional investor on 5 December 2017. The shareholding for Illovo Sugar at 14 September 2019 was 75% of the total shareholding.

The results and balance sheet of Primark Mode Ltd. & Co. KG are included in these financial statements and these financial statements will be filed in Germany. As a consequence, Primark Mode Ltd. & Co. KG is exempt from the requirement to file its own financial statements under section 264b HGB.

Associated British Foods plc has irrevocably guaranteed all commitments entered into by each of the Irish incorporated subsidiary undertakings listed below, including amounts shown as liabilities in the statutory financial statements of these companies, in respect of the financial year ended 14 September 2019. As a consequence, these subsidiary undertakings may qualify for the exemption under section 357 of the Companies Act 2014 (Ireland) from the provisions of sections 347 and 348 of that Act.

Abdale Finance Limited
Primark Limited
Primark Holdings
Primark Pension Trustees Limited

29. Group entities continued

Joint ventures

A list of the group's joint ventures as at 14 September 2019 is given below. All joint ventures are included in the group's financial statements using the equity method of accounting.

Joint ventures	% holding
United Kingdom	
Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom	
Frontier Agriculture Limited	50%
Boothmans (Agriculture) Limited	50%
Forward Agronomy Limited	50%
G F P (Agriculture) Limited	50%
GH Grain Limited	50%
Grain Harvesters Limited	50%
Intracrop Limited	50%
Nomix Limited	50%
North Wold Agronomy Limited	50%
Phoenix Agronomy Limited	50%
SOYL Limited	50%
The Agronomy Partnership Limited	50%
Fine Lady Bakeries Ltd, Southam Road, Banbury, Oxfordshire, OX16 2RE, United Kingdom	
Chiltern Bakeries Limited	44%
Berth 36, Test Road, Eastern Docks, Southampton, Hampshire, SO14 3GG, United Kingdom	
Southampton Grain Terminal Limited	25%
Kingseat, Newmacher, Aberdeenshire, AB21 0UE, Scotland, United Kingdom	
Euroagkem Limited	50%
Lothian Crop Specialists Limited	50%
1st Floor Offices, 10 Hereford Road, Abergavenny, Monmouthshire, NP7 5P, United Kingdom	
Brian Lewis Agriculture Limited	50%
47, Beaumount Seymour & Co, Butt Road, Colchester, Essex CO3 3BZ, United Kingdom	
Anglia Grain Holdings Limited	50%
Riverside, Wissington Road, Nayland, Colchester, Essex, CO6 4LT, United Kingdom	
Anglia Grain Services Limited	50%
Unit 8, Burnside Business Park, Burnside Road, Market Brayton, TF9 3UX, United Kingdom	
B.C.W (Agriculture) Limited	50%
Witham St Hughs, Lincoln, LN6 9TN, United Kingdom	
Nomix Enviro Limited	50%
Australia	
Building A, Level 2, 11 Talavera Road, North Ryde NSW 2113, Australia	
Fortnum & Masons Pty Limited	33%
Chile	
Ave. Balmaceda 3500, Valdivia, Chile	
Levaduras Collico S.A.	50%
China	
1828 Tiejueshan Road, Huangdao District, Qingdao, Shandong Province, China	
Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	25%
Finland	
Tykkimäentie 15b (PO Box 57), Rajamäki, FIN-05201, Finland	
Roal Oy	50%
France	
59, Chemin du Moulin, 695701, Carron, Dardilly, France	
Synchronis	50%
Germany	
Brede 4, 59368, Werne, Germany	
UNIFERM GmbH & Co. KG	50%
INA Nahrmittel GmbH	50%
UNIFERM Verwaltungs GmbH	50%
Brede 8, 59368, Werne, Germany	
UNILOG GmbH	50%
Poland	
ul. Wybieg, nr 5, lok 9, miesjsc, KOD 61-315, Poznan, Poland	
Uniferm Polska Sp Z.o.o	50%
South Africa	
1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal 4320, South Africa	
Glendale Distilling Company	50%
Spain	
C/ Raimundo Fernández, Villaverde 28, Madrid, Spain	
Compañía de Melazas, S.A.	50%
United States	
C T Corporation System, 2 North Jackson Street, Suite 605, Montgomery AL 36104, United States	
SOC Land Acquisition Company, LLC	50%
Supreme Oil Company-South, LLC	50%
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	
Stratas Foods LLC	50%
Stratas Receivables I LLC	50%
Supreme Oil Company LLC	50%
Supreme Oil Company IC-DISC, Inc.	50%
Supreme Oil Central, Inc.	50%

29. Group entities continued

Associates

A list of the group's associates as at 14 September 2019 is given below. All associates are included in the group's financial statements using the equity method of accounting.

Associates	% holding
United Kingdom	
6th Floor 10 Bloomsbury Way, London, England, WC1A 2SL, United Kingdom	
Bakers Basco Limited	20%
Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB, United Kingdom	
C. Czarnikow Limited	43%
Czarnikow Group Limited	43%
C. Czarnikow Sugar Futures Limited	43%
C. Czarnikow Sugar Limited	43%
Sugarworld Limited	43%
Vernon House, 40 New North Road, Huddersfield, West Yorkshire, HD1 5LS, United Kingdom	
Proper Nutty Limited	40%
Australia	
283 Flagstaff Road, Brinkley SA 5253, Australia	
Big Pork River Pty Ltd	20%
Murray Bridge Bacon Pty Ltd	20%
32 Davis Road, Wetherill Park, Sydney NSW 2164, Australia	
New Food Coatings Pty Ltd	50%
Bahrain	
Suite No. 1959 Diplomatic Commercial Office, Tower B, Building No. 1565, Road 1722, Diplomatic Area/Manama 317, Bahrain	
Czarnikow Supply Chain Sales for Food & Beverage Ingredients Bahrain S.P.C.	43%
Brazil	
Rua Fidêncio Ramos, 308, cj64, Torre A, Vila Olímpia, São Paulo, SP, Cep 04551-010, Brasil	
Czarnikow Brasil Ltda	43%
China	
Room 17A01, 232 Zhong Shan 6th Road, Guangzhou City, Guangdong Province, 510180, China	
C. Czarnikow Sugar (Guangzhou) Company Ltd	43%
India	
House No. 1-8-373/A, Chiran Fort Lane, Begumpet, Hyderabad, 500003, India	
C. Czarnikow Sugar (India) Private Limited	43%
Indonesia	
Komplex Puri Mutiara Blok A21-22, JL. Griya Utama, Sunter Agung, Jakarta, 14350, Indonesia	
PT Indo Fermex	49%
P.T. Jaya Fermex	49%
PT Sama Indah	49%
Israel	
3 Golda Meir St. Ness Ziona, 74-036, Israel	
Sucarim (Czarnikow Israel Sugar Trading) Ltd	43%
8th Galgalay haplada, Herzlia, Israel	
Sucris Limited	21%

Associates	% holding
Italy	
Piazza Borromeo 14, 20123 Milano, Italia	
Czarnikow Italia Srl	43%
Kenya	
I & M Bank House, Second Ngong Avenue, P.O. Box 10517, Nairobi 00100, Kenya	
C. Czarnikow Sugar (East Africa) Limited	43%
Mauritius	
No 5 President John Kennedy Street, Port Louis, Mauritius	
Sukpak Limited	30%
Mexico	
Descartes #54 Int. 101, Col. Nueva Anzures Ciudad de Mexico, 11590, Mexico	
C. Czarnikow Sugar (Mexico), S.A. de C.V.	43%
Czarnikow Servicios de Personales (Mexico), S.A. de C.V.	43%
New Zealand	
c/o KPMG, 18 Viaduct Harbour Avenue, Maritime Square, Auckland, New Zealand	
New Food Coatings (New Zealand) Limited	50%
Philippines	
Unit A, 103 Excellence Avenue, Carmelray Industrial Park 1, Canlubang, Calamba, Laguna, Philippines	
New Food Coatings (Philippines) Inc.	50%
Singapore	
3 Phillip Street, #14-01 Royal Group Building, Singapore 048693	
C. Czarnikow Sugar Pte. Limited	43%
South Africa	
1 Gledhow Mill Road, Gledhow, Kwadukuza, 4450, South Africa	
Gledhow Sugar Company (Pty) Limited	30%
Tanzania	
7th Floor Amani Place, Ohio Street, PO Box 38568, Dar-es-Salaam, Tanzania	
Czarnikow Tanzania Limited	43%
Msolwa Mill Office, Kidatau, Tanzania	
Kilombero Sugar Distributors Limited	20%
Thailand	
909 Moo 15, Teparak Road, Tambol Bangsaothong, King Amphur Bangsaothong, Samutprakarn, Thailand	
Newly Weds Foods (Thailand) Ltd	50%
Newly Wed Foods (Trading) Limited	50%
20th Floor, UBC II Building, 591 Sukhumvit Road, North Klongton, Wattana, Bangkok 10110 Thailand	
Czarnikow (Thailand) Limited	43%
United States	
333 SE 2nd Avenue, Suite 2860, Miami, FL 33131, USA	
C. Czarnikow Sugar Inc.	43%

Company balance sheet
at 14 September 2019

	Note	2019 £m	2018 £m
Fixed assets			
Intangible assets	1	**19**	18
Investments in subsidiaries	2	**703**	688
		722	706
Current assets			
Debtors			
– due within one year	3	**2,858**	3,629
– due after one year	3	**151**	232
Employee benefits assets – due after one year	4	**220**	571
Derivative assets		**64**	60
Cash and cash equivalents		**931**	822
		4,224	5,314
Creditors: amounts falling due within one year			
Bank loans and overdrafts – unsecured		**(3)**	(241)
Other creditors	6	**(2,466)**	(2,606)
		(2,469)	(2,847)
Net current assets		**1,755**	2,467
Total assets less current liabilities		**2,477**	3,173
Creditors: amounts falling due after one year			
Bank loans – unsecured		**(346)**	(335)
Amounts owed to subsidiaries	6	**(252)**	(210)
Employee benefits liabilities	4	**(38)**	(41)
Deferred tax liabilities	5	**(21)**	(79)
		(657)	(665)
Net assets		**1,820**	2,508
Capital and reserves			
Issued capital	7	**45**	45
Capital redemption reserve	7	**2**	2
Hedging reserve	7	**2**	(9)
Profit and loss reserve	7	**1,771**	2,470
Equity shareholders' funds		**1,820**	2,508

The Company's loss for the 52 weeks ended 14 September 2019 was £36m (52 weeks ended 15 September 2018 was £62m).

The financial statements on pages 176 to 182 were approved by the board of directors on 5 November 2019 and were signed on its behalf by:

Michael McLintock
Chairman

John Bason
Finance Director

Company statement of changes in equity

for the 52 weeks ended 14 September 2019

	Share capital £m	Capital redemption reserve £m	Hedging reserve £m	Profit and loss reserve £m	Total £m
Balance as at 16 September 2017	45	2	(5)	2,626	2,668
Total comprehensive income					
Loss for the period recognised in the income statement	–	–	–	(62)	(62)
Remeasurement of defined benefit schemes	–	–	–	293	293
Deferred tax associated with defined benefit schemes	–	–	–	(49)	(49)
Movement in cash flow hedging position	–	–	(4)	1	(3)
Other comprehensive income/(loss)	–	–	(4)	245	241
Total comprehensive income/(loss)	–	–	(4)	183	179
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(327)	(327)
Net movement in own shares held	–	–	–	(11)	(11)
Deferred tax associated with share-based payments	–	–	–	(1)	(1)
Total transactions with owners	–	–	–	(339)	(339)
Balance as at 15 September 2018	45	2	(9)	2,470	2,508
Total comprehensive income					
Loss for the period recognised in the income statement	–	–	–	(36)	(36)
Remeasurement of defined benefit schemes	–	–	–	(361)	(361)
Deferred tax associated with defined benefit schemes	–	–	–	59	59
Movement in cash flow hedging position	–	–	11	–	11
Other comprehensive income/(loss)	–	–	11	(302)	(291)
Total comprehensive income/(loss)	–	–	11	(338)	(327)
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(358)	(358)
Net movement in own shares held	–	–	–	(3)	(3)
Total transactions with owners	–	–	–	(361)	(361)
Balance as at 14 September 2019	**45**	**2**	**2**	**1,771**	**1,820**

Accounting policies

for the 52 weeks ended 14 September 2019

Basis of preparation
The financial statements are presented in sterling, rounded to the nearest million. They are prepared under the historical cost basis, except that derivative financial instruments are stated at their fair value, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

As permitted by section 408(4) of the Companies Act 2006, a separate income statement and statement of comprehensive income for the Company has not been included in these financial statements. The principal accounting policies adopted are described below. They have all been applied consistently to all years presented.

Intangible assets
Intangible assets comprise goodwill arising on business combinations and operating intangibles. Goodwill is defined under 'Business combinations' on page 124 of the consolidated financial statements. The Companies Act 2006 requires goodwill to be amortised on a systematic basis over its useful economic life. Under FRS 101 goodwill is not amortised, but is instead reviewed for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the requirement to amortise goodwill in the Companies Act 2006. Had the Company amortised goodwill, a period of three years would have been chosen as its useful life from the date of transition. The loss for the year would have been no different as the goodwill would already have been fully amortised.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment charges. Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of intangible assets from the date they are available for use. The estimated useful lives are generally deemed to be no longer than five years.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less any provision for impairment.

Financial assets and liabilities
Financial assets and financial liabilities, except for derivatives, are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortised cost.

Derivatives
Derivatives are used to manage the Company's economic exposure to financial risks. The principal instruments used are foreign exchange contracts and swaps. Derivatives are recognised in the balance sheet at fair value based on market prices or rates, or calculated using either discounted cash flow or option pricing models. Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting when recognition of any change in fair value depends on the nature of the item being hedged.

Pensions and other post-employment benefits
The Company operates one defined contribution and two defined benefit pension schemes. The Company is the principal employer of the Associated British Foods Pension Scheme, which is a funded final salary scheme that is closed to new members, as well as a small unfunded final salary scheme. For the defined benefit schemes, the amount charged in the income statement is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members by the Company during the year. It also includes net interest expense or income calculated by applying the liability discount rate to the net pension asset or liability. The difference between market value of assets and present value of liabilities is disclosed as an asset or liability in the balance sheet. Any related deferred tax (to the extent recoverable) is disclosed separately in the balance sheet. Remeasurements are recognised immediately in other comprehensive income. Surpluses are recognised only to the extent that they are recoverable. Contributions payable by the group in respect of defined contribution plans are charged to operating profit as incurred.

Income tax
Income tax on 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 taken directly to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, using tax rates enacted or substantively enacted at the balance sheet date, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred 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 utilised.

Share-based payments
The fair value of the share awards at grant date is recognised as an employee expense with a corresponding increase in equity, spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect expected and actual levels of vesting except where the failure to vest is as a result of not meeting a market condition.

Where the Company grants allocations of shares to employees of its subsidiaries, these are accounted for on the same basis as allocations to employees of the Company, except that the fair value is recognised as an increase to investment in subsidiaries with a corresponding increase in equity.

Cash and cash equivalents
Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less.

Notes to the company financial statements
for the 52 weeks ended 14 September 2019

1. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 15 September 2018	14	7	21
Acquisitions	–	2	2
At 14 September 2019	**14**	**9**	**23**
Amortisation			
At 15 September 2018	–	(3)	(3)
Amortisation	–	(1)	(1)
At 14 September 2019	**–**	**(4)**	**(4)**
Net book value			
At 15 September 2018	14	4	18
At 14 September 2019	**14**	**5**	**19**

2. Investments in subsidiaries

	£m
At 15 September 2018	688
Additions	15
At 14 September 2019	**703**

The additions relate to the allocation of shares under equity-settled share-based payment plans to employees of the Company's subsidiaries. There were no provisions for impairment in either year.

3. Debtors

	2019 £m	2018 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**2,800**	3,592
Other debtors	**13**	18
Corporation tax recoverable	**45**	19
	2,858	3,629
Amounts falling due after one year		
Amounts owed by subsidiaries	**151**	232

The directors consider that the carrying amount of debtors approximates their fair value.

4. Employee entitlements

	2019 assets £m	2018 assets £m	**2019 liabilities £m**	2018 liabilities £m	**2019 net £m**	2018 net £m
Reconciliation of changes in assets and liabilities						
At beginning of year	**3,714**	3,695	**(3,184)**	(3,462)	**530**	233
Current service cost	**–**	–	**(30)**	(32)	**(30)**	(32)
Employee contributions	**7**	7	**(7)**	(7)	**–**	–
Employer contributions	**41**	28	**–**	–	**41**	28
Benefit payments	**(160)**	(214)	**160**	214	**–**	–
Past service cost	**–**	–	**(14)**	1	**(14)**	1
Interest income/(expense)	**104**	96	**(89)**	(89)	**15**	7
Return on scheme assets less interest income	**116**	102	**–**	–	**116**	102
Actuarial (losses)/gains arising from changes in financial assumptions	**–**	–	**(507)**	129	**(507)**	129
Actuarial gains arising from changes in demographic assumptions	**–**	–	**23**	49	**23**	49
Experience gains on scheme liabilities	**–**	–	**8**	13	**8**	13
At end of year	**3,822**	3,714	**(3,640)**	(3,184)	**182**	530

The net pension asset of £182m comprises a funded scheme with a surplus of £220m and an unfunded scheme with a deficit of £38m.

Further details of the Associated British Foods Pension Scheme are contained in note 11 of the consolidated financial statements.

5. Deferred tax assets and liabilities

	Employee benefits £m	Share-based payments £m	Other £m	Total £m
At 15 September 2018	(90)	2	9	(79)
Amount charged to the income statement	–	1	–	1
Amount charged/(credited) to equity	59	–	(2)	57
At 14 September 2019	**(31)**	**3**	**7**	**(21)**

6. Other creditors

	2019 £m	2018 £m
Amounts falling due within one year		
Other taxation and social security	**1**	1
Accruals and deferred income	**66**	68
Amounts owed to subsidiaries	**2,399**	2,537
	2,466	2,606
Amounts falling due after one year		
Amounts owed to subsidiaries	**252**	210

The directors consider that the carrying amount of creditors approximates their fair value.

7. Capital and reserves

Share capital

At 15 September 2018 and 14 September 2019, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p, each carrying one vote per share. Total nominal value was £45m.

Capital redemption reserve

The non-distributable capital redemption reserve arose following redemption of 2 million £1 deferred shares at par in 2010.

Dividends

Details of dividends paid and proposed are provided in note 6 to the consolidated financial statements.

Share-based payments

Details of the Company's equity-settled share-based payment plans are provided in note 23 to the consolidated financial statements.

Hedging reserve

The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

8. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company had provided £888m of guarantees in the ordinary course of business as at 14 September 2019 (2018 – £802m).

Notes to the company financial statements
for the 52 weeks ended 14 September 2019

9. Related parties

The Company has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 29 to the consolidated financial statements. The Company has a related party relationship with its subsidiaries, associates and joint ventures and directors. In the course of normal operations, related party transactions entered into by the Company have been contracted on an arm's length basis.

Material transactions and year end balances with related parties (excluding wholly-owned subsidiaries) were as follows:

	Sub note	2019 £000	2018 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		**1,143**	1,045
Dividends paid by the Company and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	**12,083**	11,685
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family	1	**5,941**	3,071
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	**82**	62
Charges to fellow subsidiary undertakings	2	**35**	43
Charges to non-wholly owned subsidiaries	2	**251**	1,902
Charges to joint ventures	2	**–**	40
Interest income earned from non-wholly owned subsidiaries	2	**203**	165
Amounts due from non-wholly owned subsidiaries	2	**3,734**	3,507

1. Details of the nature of the relationships with these bodies are set out in note 28 of the consolidated financial statements.
2. Details of the Company's subsidiaries, joint ventures and associates are set out in note 29 of the consolidated financial statements.

10. Other information

Emoluments of directors
The remuneration of the directors of the Company is shown in the Remuneration report for the group on page102.

Employees
The Company had an average of 197 employees in 2019 (2018 – 185).

Auditors' fees
Note 2 to the consolidated financial statements of the group provides details of the remuneration of the Company's auditors on a group basis.

Progress report

Saturday nearest to 15 September

	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Revenue	12,800	13,399	15,357	15,574	**15,824**
Adjusted operating profit	1,082	1,118	1,363	1,404	**1,421**
Exceptional items	(98)	–	–	–	**(79)**
Transaction costs	–	(5)	(5)	(2)	**(2)**
Amortisation of non-operating intangibles	(55)	(21)	(28)	(41)	**(47)**
Acquired inventory fair value adjustments	–	–	–	(23)	**(15)**
Profits less losses on disposal of non-current assets	8	11	6	6	**4**
Profits less losses on sale and closure of businesses	(172)	(14)	293	(34)	**(94)**
Finance income	8	6	9	15	**15**
Finance expense	(61)	(56)	(59)	(50)	**(42)**
Other financial (expense)/income	(5)	3	(3)	4	**12**
Profit before taxation	707	1,042	1,576	1,279	**1,173**
Taxation	(191)	(221)	(365)	(257)	**(277)**
Profit for the period	516	821	1,211	1,022	**896**
Basic and diluted earnings per ordinary share (pence)	66.8	103.4	151.6	127.5	**111.1**
Adjusted earnings per share (pence)	101.5	106.2	127.1	134.9	**137.5**
Dividends per share (pence)	35.0	36.75	41.0	45.0	**46.35**

Company directory

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number 293262

Company Secretary
Paul Lister

Registrar
Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Auditor
Ernst & Young LLP Chartered Accountants

Bankers
Barclays Bank PLC
Lloyds Banking Group plc
The Royal Bank of Scotland plc

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Barclays Bank PLC
5 The North Colonnade
Canary Wharf

Timetable
Interim dividend paid
5 July 2019

Final dividend to be paid
10 January 2020

Annual general meeting
6 December 2019

Interim results to be announced
21 April 2020

Website
www.abf.co.uk

Warning about share fraud
From time to time, companies, their subsidiary companies, and shareholders can be the subject of investment scams. The perpetrators obtain lists of shareholders or subsidiaries and make unsolicited phone calls or correspondence concerning investment matters. They may offer to sell worthless or high risk shares and may offer to buy your current shareholdings at an unrealistic price. They will often also inform you of untrue scenarios to make you think that you need to sell your shares or to justify an offer that seems too good to be true. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any offers of unsolicited advice, discounted shares, premium prices for shares they own or unsolicited investment opportunities. If you receive any such unsolicited calls, correspondence or investment advice:

- ensure you get the correct name of the person and firm;
- check that the firm is on the Financial Conduct Authority (FCA) Register to ensure they are authorised at www.register.fsa.org.uk;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline (0800 111 6768) if there are no contact details in the Register or you are told they are out of date; and
- **if you feel uncomfortable with the call or the calls persist, simply hang up.**

Forward-looking statements
This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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