Associated British Foods plc

ANNUAL REPORT AND ACCOUNTS 2020

OUR PURPOSE IS TO PROVIDE SAFE, NUTRITIOUS, AFFORDABLE FOOD AND CLOTHING THAT IS GREAT VALUE FOR MONEY

Photographed on our cover are five of the many colleagues who rose to the challenges faced during 2020. Read how all of our businesses went above and beyond in our Chief Executive's statement and operating reviews.

Chief Executive's statement on page 8
Operating reviews from page 22

WE ARE ASSOCIATED BRITISH FOODS

Associated British Foods is a diversified international food, ingredients and retail group with sales of £13.9bn, 133,000 employees and operations in 53 countries across Europe, Africa, the Americas, Asia and Australia.

OUR PRESENCE IS GLOBAL

53

countries operated in worldwide

OUR BRANDS ARE LOVED

9/10

UK households use our brands

OUR VALUES ARE LIVED

We respect everyone's ***dignity***

We act with ***integrity***

We progress through ***collaboration***

We pursue with ***rigour***

OUR BUSINESSES ARE DIVERSE

Agriculture

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

Grocery

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

Ingredients

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

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 UK sugar beet.

Retail

Primark is one of the largest fashion retailers in Europe and the largest clothing, footwear and accessories retailer by volume in the UK. In total, it has 384 stores across 13 countries, including the US.

OUR EMPLOYEES ARE EMPOWERED

133,000

people worldwide

Contents

The group has defined, and outlined the purpose of, its alternative performance measures in note 30.

The 2019 results in the Strategic report have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

PERFORMANCE HIGHLIGHTS

Group revenue

£13.9bn

Actual down 12%
Constant currency down 11%

Adjusted operating profit

£1,024m

Actual down 28%
Constant currency down 30%

Adjusted profit before tax

£914m

Down 35%

Adjusted earnings per share

81.1p

Down 41%

Dividends per share

nil

Gross investment

£641m

Net cash (before lease liabilities)

£1,558m

Operating profit

£810m

Down 37%

Profit before tax

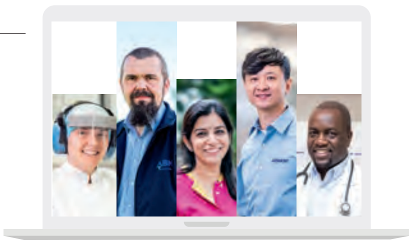
£686m

Down 42%

Basic earnings per share

57.6p

Down 48%



Review of the year online:
www.abf.co.uk/ar2020

OUR BREADTH IS ONE OF OUR GREATEST STRENGTHS

With the breadth of our businesses, brands and global reach, Associated British Foods plc aims to consistently deliver value to our stakeholders.

GROCERY

Read more on page 22

Household food brands enjoyed all over the world

Twinings and Ovaltine are enjoyed in over

100

countries

16,000

Employees

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

Europe and international
Our portfolio of recognised grocery brands includes Mazzetti balsamic vinegars, Jordans and Dorset cereals, Ryvita crispbread, Kingsmill bread, Patak's and Blue Dragon cooking sauces and pastes, as well as 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. Anthony's Goods produces specialty baking ingredients, supplements, superfoods and other functional snacks primarily for online consumers and the organic market.

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

Revenue

£3,528m

2019: £3,498m

Adjusted operating profit

£437m

2019: £381m

SUGAR

Read more on page 34

A world-leading sugar business focused on excellence

27

Plants worldwide

32,000

Employees

Europe
Our UK beet sugar factories typically produce well over 1 million tonnes of sugar annually. Azucarera in Spain produces beet sugar from its factories in the north and south, and also refines sugar from cane raws at its refinery in the south.

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

£1,594m

2019: £1,608m

Adjusted operating profit

£100m

2019: £26m

AGRICULTURE

Read more on page 42

Products and services for the agri-food industry

Sold into

84

countries

3,000

Employees

AB Agri

AB Agri manufactures animal feed, nutrition- and technology-based products and offers data services for the agri-food industry. It operates all along the food industry supply chain.

It produces and supplies compound animal feed, feed enzymes, specialised feed ingredients and a range of value-added 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

£1,395m

2019: £1,385m

Adjusted operating profit

£43m

2019: £42m

INGREDIENTS

Read more on page 48

Yeast, bakery and specialty ingredients supplied globally

52

Plants in production for AB Mauri

7,000

Employees

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 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

£1,503m

2019: £1,505m

Adjusted operating profit

£147m

2019: £136m

RETAIL

Read more on page 54

Amazing fashion, amazing prices

384

Stores at year end

75,000

Employees

Primark

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

It prides itself on offering something for everyone and has a wide selection of products available in women's, men's, kids', the home, health and beauty and gifting.

Primark's store environment plays an important part in inspiring its customers. Developing the in-store experience has been a key enabler in differentiating Primark from its competitors. Its strategy is clear – bring the same amazing value to services as it does with fashion. Many of its stores now have free wi-fi and trend rooms and in the Republic of Ireland, UK, Spain and Portugal a number of stores have coffee shops, food and beverage offerings and beauty concessions, which add to the customer experience.

Revenue

£5,895m

2019: £7,792m

Adjusted operating profit

£362m

2019: £913m

Michael McLintock
Chairman

OUR CULTURE CARRIED US THROUGH

I will never be able to thank our people enough for their extraordinary efforts this year. I am proud to be able to represent such a group.

To say that this has been an extraordinary year would be something of an understatement. The rapid spread of COVID-19 across the globe has affected everyone in ways which we could not have imagined a year ago.

When we first heard of COVID-19 our business concerns were around the disruption to the supply chain of goods coming from China. However, as the virus rapidly spread around the world it was clear that its effect would be more profound. For our group, we were required to close all Primark stores in Europe and the US in just 12 days in March. This was not something that we had ever envisaged.

Unable to sell anything, Primark moved from profit to loss in a few short days, with no visibility as to how long these conditions would persist. Closure for six months seemed plausible, with the possibility of it being significantly longer. These monthly operating losses, together with the need to pay for goods in transit, would place a severe strain on the group's cash reserves and necessitated immediate management action.

Measures to mitigate the cash outflow included cutting back on discretionary spend and non-essential capital expenditure across the group. Primark instigated a major cost-reduction exercise that included stopping further orders and accessing government job retention schemes across Europe. I must emphasise that at a time of such uncertainty, these job retention schemes provided critical support and enabled us to preserve the jobs of some 68,000 employees. In total we received some £98m and we are grateful for this support. Most Primark employees not covered by government schemes agreed to a temporary reduction in salary. These actions reduced Primark's operating costs by 50%, but the cash outflow was still some £100m per month.

At the same time, our food businesses faced operational challenges of their own. Consumer demand switched from eating out to eating at home and in particular, demand for home cooking and baking products soared. At each of our food production sites, working practices were adapted to protect our workforce and production was increased, in some cases substantially, even with higher absenteeism due to shielding or isolation. It was of vital importance that food businesses such as ours continued to produce food safely, and in sufficient quantities, to meet the exceptional demand in retail.

At the half year, the Board decided not to declare an interim dividend. The directors considered that this was prudent given the focus on managing the group's cash flow in the second half with, at that time, no prospect for the reopening of stores.

As events transpired, we were able to reopen Primark stores much earlier than envisaged. The Primark team performed a remarkable job in ensuring the rapid reopening of so many stores, including 153 stores in one day in England, in a way that was both welcoming and appealing to customers while also incorporating the health and safety measures required for customers and colleagues alike.

We did not know how quickly, and in what numbers, customers would return. In the event, there were queues outside most of our stores on reopening days. We were very encouraged by the strength of our sales across all markets for the period since reopening. Primark returned to profitability and the timing of reopening from early May allowed us to sell down the majority of spring/summer stock on hand with minimal markdowns, and so generated significant cash in the fourth quarter. Although later than usual, we were pleased to be able to place substantial orders for autumn/winter stock.

Primark still suffered a cash outflow of some £800m while the stores were closed after making supplier payments and incurring the net operating losses.

When the majority of the Primark stores had reopened, we stopped claiming support from UK and European government job retention schemes. Furthermore, when the UK Government announced a job retention bonus in July, we felt it would be unnecessary to claim as we were trading profitably.

With Primark opening earlier and trading more strongly than we had expected, and sales and cash flow from our food businesses in the second half well ahead of our expectations, our cash reserves built quickly.

The year end net cash balance before lease liabilities was £1.56bn, a position we could not have possibly predicted back in March. This outcome was driven not only by the better trading in the fourth quarter, but also by a much lower level of working capital across the group than is usual at this time of year. In particular, it reflected later than normal timing of orders for Primark's autumn/winter ranges and lower food inventories, a consequence of higher consumer demand. These working capital benefits will reverse in the first half of the 2020/21 financial year.

Results

Revenue for the group was £13.9bn, 12% lower than last year on a reported basis. These financial statements adopt IFRS 16 *Leases* in the current year and under our chosen transition option the prior year has not been restated. Adjusted operating profit this year of £1,024m was lower than the £1,421m reported last year. Inclusion of lease interest expense in the income statement this year was the major driver of the increase in the charge for net finance expense and other financial income from £15m last year to £110m. A lower proportion of the group's profit was generated in the UK and Ireland and consequently the group's adjusted effective tax rate increased from 21.5% to 28.8% this year. Adjusted earnings per share reduced by 41% to 81.1p.

The full year decline in group revenue was mainly seen in the third quarter, driven by the total loss of sales for the period in which Primark's stores were closed. The decline in the full year adjusted operating profit for the group was a consequence of this. We estimate that Primark lost £2bn of sales and some £650m of profit as a result of COVID-19.

The increase in adjusted operating profit for Grocery, Sugar, Ingredients and Agriculture combined was a very strong 26% at constant currency with growth in all business segments.

Grocery delivered another year of strong profit and margin improvement. In the second half of the year this included higher retail sales which more than offset a decline in foodservice as a result of COVID-19. A significant improvement in the profits of our European and Chinese sugar businesses more than offset a disappointing result for Illovo. The improvement in Ingredients was driven by substantially higher demand for AB Mauri's yeast and bakery ingredients.

Statutory operating profit for the year reduced to £810m from £1,282m last year, driven by the reduction in adjusted operating profit and an increase in the net exceptional charges to £156m this year from £79m last year. The decline in the statutory profit before tax was broadly in line with the decline in statutory operating profit. Basic earnings per share were 57.6p, a reduction from the reported 111.1p last year.

Leadership

COVID-19 has made the task of leadership significantly more challenging and I have seen so many examples of outstanding leadership in the group over the last six months.

I would like to pay particular tribute to George Weston and John Bason for their tireless commitment to the task of navigating the group through the unprecedented circumstances that we faced. They led from the front and agreed to reduce their base pay temporarily by 50% from the beginning of April and to forgo any bonus for this financial year. The reduction in base pay ran until the end of the financial year.

Paul Marchant, CEO of Primark, and his leadership team deserve a special mention. They demonstrated tremendous energy and professionalism throughout a succession of challenges.

I also want to thank the chief executives and managing directors of all our businesses, and the group senior management team, for their selfless dedication. They calmly got on with enabling and motivating their teams to adapt to the new conditions and challenges and collaborated in support of each other.

Thank you too to my non-executive colleagues on the Board for their invaluable counsel. They agreed to reduce their fees by 25% from April to the end of the financial year.

Corporate responsibility

Our purpose to provide safe, nutritious, affordable food and clothing that is great value for money has never been more relevant. We are committed to being a good neighbour and supporting the communities in which we operate. Our four group-wide values: acting with integrity, respecting everyone's dignity, progressing through collaboration and pursuing with rigour have proved to be critical in determining our responses to the challenges posed by COVID-19. The strong culture of the group, which has been established and then embedded in each of our businesses over many years, provided the firm foundation for the ways in which decisions were implemented.

Our businesses have always aimed to make a lasting positive contribution to society. Our 2020 Responsibility Update details the actions we continue to take to invest in our people, support society, strengthen supply chains and respect our environment. To see how we make a difference, please download this Update, at www.abf.co.uk/responsibility.

Dividends

Your Board is acutely aware of the importance of dividends to shareholders. Following the decision not to declare an interim dividend, and in the light of our subsequent profitable trading and the group's net cash balance at the end of the year, the Board has given much consideration to the payment of a dividend for this financial year. Our experience of the cash outflow following government restrictions that required us to close all of our stores in March and, at the time of writing, the increasing restrictions in a number of Primark's major markets, lead us to be cautious. On balance, we have elected not to propose a final dividend for the year whilst we monitor the impact of further COVID-19 restrictions on Primark during this important trading season.

Outlook

We suspended earnings guidance for the group on 16 March due to significantly increased uncertainty concerning the impact of COVID-19 on business performance. We have reported on a profitable financial year with strong cash flow and we started our new financial year with good sales and cash flow across the group. However, the impact on Primark of the increasing number of government restrictions in the markets in which it operates is significant.

Notwithstanding the currently announced periods of restriction, we expect Primark full year sales and profit to be higher next year. There will be a sales decline in the first half compared to last year but higher sales in the second half, reflecting the period of store closures in the third quarter of this financial year. We will continue to expand retail selling space. Sugar is expected to deliver a higher profit next year with improvements in Europe and in the performance of Illovo.

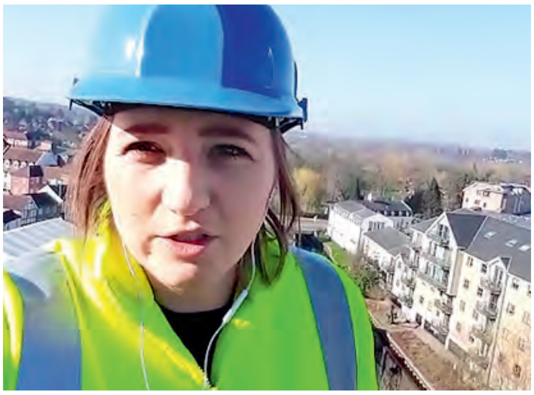
Following the UK's exit from the EU, our businesses have completed all practical preparations for the end of the transition period and contingency plans are in place should our businesses experience some disruption at that time.

Thank you to our employees

The strength of our culture shone through this year and I am proud to be able to represent such a group. Our operating model of devolved decision making to each business and market enabled us to respond very quickly and most appropriately to local challenges. The responses are a testament to the dedication, skills and ingenuity of our people. Most of our employees have had to adapt to new ways of working and on top of that many found the time to support important community work. I will never be able to thank all of them enough for their extraordinary efforts during this time.

Michael McLintock
Chairman

OUR CULTURE IN ACTION



During the COVID-19 pandemic, employees across the group rose to the challenge.

When all our stores were forced to close, Primark CEO, Paul Marchant (pictured above), with Gillian Duggan (above left) and Kelly-Ann Carroll (above right) and many others, including Olivia Kelly (pictured left), took to the stores to collate 450,000 care packs for health workers in the Republic of Ireland, UK, Europe and in the US.

When our Grocery businesses had to produce more volumes with less people to meet significantly higher demand, people like Katie Davill and Jim O'Kane (pictured top and top left respectively) went beyond the call of duty to provide for our customers.

See how they, and many others, rose to the challenge in our video stories at https://www.abf.co.uk/media/video_library.

George Weston
Chief Executive

OUR FINANCIAL PERFORMANCE THIS YEAR MORE THAN EVER DEMONSTRATES THE RESILIENCE OF THE GROUP

This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking.

I am proud of how our people have responded to the many challenges presented by COVID-19 this year. All of our people demonstrated care, good judgement and immense hard work.

At the time of our half year we had lost two of our employees to COVID-19. Now we have lost nine. We mourn them all.

Our financial performance this year more than ever demonstrates the resilience of the group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking.

Group revenue reduced by 11% to £13.9bn at constant currency, with the reduction mainly seen in the third quarter driven by the total loss of sales for the three-month period in which Primark's stores were closed. The decline in adjusted operating profit was a consequence of this and at £1,024m was 30% lower than last year on an IFRS 16 pro forma basis at constant currency. So far COVID-19 has cost the group some £2bn of sales, £650m in lost profit and a cash outflow of £800m.

Our food businesses delivered an outstanding performance this year and throughout the pandemic we have provided safe, nutritious food under the most extraordinary conditions, proving the value and resilience of our supply chains. The adjusted operating profit of Grocery, Sugar, Agriculture and Ingredients combined increased by a very strong 26%, with each of these business segments growing their profits.

Sugar delivered a material increase in adjusted operating profit, driven mainly by our European businesses, with the benefit of the anticipated strong recovery in European sugar prices. British Sugar operating profit and return on capital employed improved significantly from the unacceptable levels seen over the two years after the abolition of EU sugar quotas in October 2017. Our Spanish and Chinese businesses also took some good steps forward and we have plans for further improvement to achieve acceptable returns. Illovo's performance this year was disappointing and was mainly driven by a decline in demand in the developed South African sugar market. We have now closed our Umzimkulu sugar mill in South Africa. Demand for sugar is expected to grow in all the developing markets in the region and we will increase our domestic and regional sales while benefiting from profit improvement programmes across Illovo.

Grocery delivered a strong improvement in adjusted operating profit with a 15% increase at constant currency to £437m. Over the last five years our Grocery businesses have shown considerable growth with operating margin improving over that period from 9.0% to 12.4% this year. This has been achieved through a combination of great brands, new product development and innovation, cost efficiencies and successful acquisitions. Acetum, our Italian balsamic vinegar business acquired in October 2017, and more recently Yumi's and Anthony's Goods, are all thriving. Twinings Ovaltine is the biggest profit contributor to Grocery and has long been an outstanding growth story and this year was no exception. George Weston Foods continued to make good progress and ACH had an outstanding year. Allied Bakeries delivered a substantial cost reduction this year, following the loss of a major customer. A further restructuring of our bakery and associated logistics operations is planned for next year.

Operating profit for Ingredients was well ahead, driven by AB Mauri which responded to an increase in demand, in some markets an exceptional increase, for its yeast and bakery ingredients. I am pleased that our joint venture in China with Wilmar International has now commenced operation. The combination of our technical expertise with Wilmar's extensive sales and distribution capability has great potential. ABF Ingredients continued to invest in its research and development capability and the enzymes business delivered strong growth.

Turning to Primark, the business performed well in the first half of the year, achieving further UK market share growth and a much improved sales performance in Europe. The progress in Germany was notable. However, in March we were required to close all our stores due to COVID-19 and our focus moved to managing the human and operational consequences. Mitigating the significant cash outflow was a huge task. Every area of the business was scrutinised. Discretionary spend was cut, we accessed support from the UK and European government job retention schemes, we worked with all Primark's counterparties including suppliers and landlords, and most Primark employees took a reduction in salary while the stores were closed. As a result monthly overhead costs were reduced by 50%.

Great care was taken in planning for the reopening of our estate. We prioritised measures to safeguard the health and wellbeing of everyone in store and to instil confidence in our store environment. These measures enabled customers to move freely through our stores, exploring the merchandise on display, with little hindrance whilst ensuring the maintenance of social distancing. Primark received an overwhelmingly positive response when we reopened our doors. The queues outside most of our stores on reopening days, the excitement of our customers and their comments about affordability that we both heard and read, reaffirmed the relevance and value of Primark's offering. We also opened nine new stores in the second half, including our first store in Poland.

Trading since reopening has been robust, delivering £2bn of revenue in the period until the end of the financial year. Most encouraging is that despite the disruption to our trading, UK market share data for sales in all channels shows that we have returned to at least our pre-COVID-19 level. From the time of reopening to the year end the number of transactions has improved, driven by increasing footfall.

Primark sales reflect the way that people live their lives. Sales were ahead of pre-COVID-19 levels in children's, leisure and nightwear and weak in formal menswear and travel accessories. By store, trading has varied reflecting the current circumstances of our customers including homeworking, less commuting and much less tourism. Sales at our stores in retail parks are higher than a year ago, shopping centres and regional high street stores are broadly in line with last year, and large destination city centre stores which are heavily reliant on tourism and commuters have, not surprisingly, seen a significant decline in footfall.

Since reopening the lower level of sales compared to pre-pandemic levels reflects consumer demand.

Over the coming year Primark sales will continue to reflect the broader trend in consumer demand. The autumn/winter season and the run up to Christmas is important to the retail sector. Our stores have exciting seasonal ranges which are already proving a success with our customers. However, at the time of writing, governments are increasing the restrictions on the movement of people and trading activity. In some parts of Europe and the UK this has led to a reduction in trading hours or the temporary closure of stores. In England, temporary store closures are expected from 5 November. Uncertainty during a significant trading period remains.

Over the past six months we have developed a flexible set of responses across the group and are ready to deploy these as required in response to future government restrictions.

Our businesses have completed all practical preparations should the UK exit the Brexit transition period with or without a trade deal. Primark operates largely discrete supply chains for its stores in each of the UK, US and Europe and the group's food production is largely aligned with the end market. As a result, there is relatively little group cross-border trading between the UK and the EU. Contingency plans are in place should some of our businesses experience disruption.

We have the people and the cash resources to meet the challenges ahead and we are investing for the future.

George Weston
Chief Executive

OUR PEOPLE DEMONSTRATED CARE, GOOD JUDGEMENT AND IMMENSE HARD WORK THIS YEAR

With fewer people working on site in our factories, stores and offices – due to isolation, shielding or social distancing measures – our employees worked together to find solutions, meet increased customer demand and deliver for our stakeholders in the year.

Many of our grocery businesses had to deliver unprecedented volumes as demand for household groceries increased and people found themselves eating three meals at home every day. At peak demand Allied Bakeries saw a 13% increase in bread production, sales of Patak's sauces increased by 45%, Blue Dragon meal kits by 75% and flour demand was up by 200%.

→ Read more about Grocery from page 22

375 STORES

All of Primark's 375 stores reopened over May, June and July, including the reopening of 153 stores in one day, on 15 June, in England.

Read more about Retail from page 54

150%

Consumer demand for yeast increased significantly across North America during COVID-19. By August AB Mauri North America had increased its production capacity by 150%.

Read more about Ingredients from page 48

3,000 GROWERS

British Sugar completed Europe's longest ever continuous sugar processing campaign, delivering 7.8 million tonnes of beet, in 290,000 deliveries, from more than 3,000 growers in the 208-day campaign.

Read more about Sugar from page 34

Following the acquisition of CowConnect, a weighing system and feeding solution business, in March 2020, AB Agri combined CowConnect with its existing nutrition and farm performance platform to create a world-leading feed management solution for the dairy industry.

Read more about Agriculture from page 42

GROUP BUSINESS MODEL

OUR GROUP
The group is organised into five business segments:

- Grocery
- Sugar
- Agriculture
- Ingredients
- Retail

53 operating countries

40+ consumer brands

sales into **100+** countries

THE ROLE OF THE CORPORATE CENTRE
Offers a framework in which our business leaders have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair.

The corporate centre is small and uses short lines of communication to ensure prompt, incisive and unambiguous decision-making. It provides specialist resources including:

Strategic engagement

Disciplined capital allocation and monitoring

Framework for collaboration

Specialist central resources

Finance	Legal	Insurance
IT	Procurement	Property
Talent development	Tax	Treasury

OUR BUSINESSES
This enables our businesses to focus on what they do best:

- **Market knowledge**
- **Industry expertise**
- **Operational capability**
- **Customer relationships**
- **Innovation**

OUR STAKEHOLDERS
Which helps us to deliver value for our stakeholders by:

- **Providing safe, nutritious, affordable food and clothing that is great value for money for our customers.**
- **Delivering sustainable growth for investors over the long term.**
- **Developing our talent and creating opportunities for employee progression.**
- **Making a positive impact on the communities in which we operate, wherever we can.**

OUR VALUES
Underpinning our business model are our values:

A DIVERSIFIED INTERNATIONAL GROUP

Group operating model

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

The group has operations in 53 countries and includes more than 40 consumer brands, some of which have sales into more than 100 countries. The businesses are organised into five segments of: Grocery, Sugar, Agriculture, Ingredients and Retail. These five business segments bring together businesses with common industry expertise, operational capability and market knowledge.

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 customers and their markets and who will implement the plans.

The group, or corporate centre, provides a framework in which our business leaders have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair. This ensures decision-making stays close to the markets and customers, resulting in effective, innovative business solutions.

The centre is small and uses short lines of communication to ensure prompt, incisive and unambiguous decision-making. This ensures the business activities are appropriately monitored and supported.

Group strategy

We believe that taking a long-term view creates long-term value – for our shareholders, business partners, employees and the communities in which we operate. Our strategy is to achieve sustainable growth over the long term and the group balance sheet is managed to ensure long term financial stability, regardless of the state of the capital markets.

Capital funding is made available to all of our businesses where returns meet or exceed clearly defined criteria.

The group focuses on strategic engagement with the businesses, and disciplined budget and capital allocation and monitoring.

We facilitate collaboration across the businesses and provide specialist resource in central areas such as legal, IT, finance, property, treasury, tax and insurance. The group also invests in selected value-added capabilities to support the businesses, such as talent management and development, procurement, health and safety and transaction execution. This approach enables the businesses to focus on what they do best – running their operations and serving their customers.

Growth

The group takes a long-term approach to investment and is committed to increasing shareholder value through sound commercial and responsible business decisions that deliver steady growth in earnings and dividends. We aim to operate in a sustainable, ethical, efficient and safe manner.

While we have grown by acquisition, much of our growth has been organic. Organic growth is achieved through investment in marketing, the development of existing and new products and technologies and in targeted capital expenditure to improve efficiency and expand capacity.

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

Our people, culture and values

We build and develop strong management teams, to whom we give high levels of accountability and trust. This enables us to operate a largely devolved structure in which each business has the freedom to develop strategy and deliver against their plans. In turn, it generates high motivation and fosters an entrepreneurial mindset.

We pride ourselves on being a first-class employer and we work actively to develop our talent and create opportunities for employee progression. As a result, people tend to stay with the group for a long time and build exciting careers.

Across all of our businesses, we live and breathe our values through the work we do every day, from investing in the health and safety of our colleagues, promoting diversity and respecting human rights. Our values are: respecting everyone's dignity; acting with integrity; progressing through collaboration; and pursuing with rigour.

For more detail please refer to page 70 in this report or our 2020 Responsibility Update.

ENGAGING WITH OUR STAKEHOLDERS

The directors are required to act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

The following section describes how the directors take into account such stakeholder and other matters in carrying out their duties and the impact on decision-making. Regardless of the legal duties, the directors consider regular engagement with stakeholders to be part and parcel of our value of progressing through collaboration and to be fundamental to the success of the group.

Stakeholder engagement

The Company engages regularly with stakeholders at group and/or business level, depending on the particular issue.

As noted in the group business model on page 12, the role of the corporate centre, and therefore of the Board, is to provide a framework in which the group businesses have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair. The directors consider this to be an important factor in the success of the group.

Authority for the operational management of the group's businesses is delegated to the Chief Executive for execution or for further delegation by him to the senior management teams of the businesses. This is to ensure 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.

This approach necessarily involves a high degree of delegation of communication with stakeholders to the management of the group businesses. Where the directors of the Company have not themselves directly engaged with stakeholders, those stakeholder issues are considered at Board level both through reports to the Board by the Chief Executive or Finance Director and also by the senior management of the group's businesses. Senior management are requested, when presenting to the Board on strategy and principal decisions, to ensure that the presentations cover what impact the strategy/principal decision has on the relevant stakeholders and how the views of those stakeholders have been taken into account.

While day-to-day operational decisions are generally made locally, in addition to providing input on the principal decisions and strategy, the Board supports individual businesses by facilitating the sharing of best practice and know-how between the businesses.

The Board has identified the following stakeholder groups with whom engagement is fundamental to the group's ongoing success:

EMPLOYEES

The group employs 133,000 people. Our people are central to our success.

Key issues

- Health and safety
- Diversity and inclusion
- Engagement and development

How the businesses engage with this stakeholder group

- Email
- Intranet
- Newsletters
- Surveys
- Training
- Notice boards
- Health and Safety programmes
- Town halls
- Virtual meetings

How the Board engages and/or is kept informed and takes matters into account

- Richard Reid, as designated non-executive director for engagement with the workforce in accordance with the UK Corporate Governance Code, has undertaken 14 meetings and/or visits with different business divisions. Each business division also specifically reports to the Board annually on workforce engagement within that division. See further details on pages 73 and 98.
- The Group Safety & Environment Manager provides the Board with updates on safety trends and progress against key performance indicators, supplemented by updates from the divisions. See further details on pages 10 to 15 of the 2020 Responsibility Update.
- The Chief Executive and Finance Director held four virtual Town Halls in the second half of the year to engage with Company employees on the impact of COVID-19 on the business, amongst other subjects.
- The Board were briefed and provided input on safety measures throughout the Primark stores in response to COVID-19 and on the UK Job Retention Bonus – see the examples on pages 18 and 19.

See further details on pages 73 to 77 of this report and on pages 9 to 22 of the 2020 Responsibility Update.

SUPPLIERS

As a diversified international group, we have many complex supply chains.

Key issues

- Payment practices
- Responsible sourcing
- Supply chain sustainability

How the businesses engage with this stakeholder group

- Conversations (face-to-face or virtual)
- Training
- Communications fora
- Correspondence
- Press releases
- Audits

How the Board engages and/or is kept informed and takes matters into account

- Senior management of each business division (often with the assistance of specialists within that division) regularly report to the Board on key relationships and projects with suppliers either as part of their business updates to the Board or through reports to the Chief Executive.

Examples of key matters or projects on which the Board were briefed include:

- The Primark Sustainable Cotton Programme, which works directly with farmers to grow more sustainably farmed and traceable cotton.
- Dealings with banks in respect of existing and new borrowing facilities – see the example on page 19.
- Dealings with landlords in respect of rent payments for stores in relation to periods when Primark was not trading.
- Dealings with suppliers in respect of the impact of COVID-19 and closure of all stores – see the example on page 18.
- Modern slavery and human rights, including approval of the Modern Slavery Statement – see page 78.

See further details on pages 78 to 79 of this report and on pages 23 to 32 of the 2020 Responsibility Update.

CUSTOMERS/CONSUMERS

The buyers of our safe, nutritious, affordable food and clothing that is great value for money.

Key issues

- Healthy and safe products
- Value for money
- Availability of products
- Impact on environment
- Store environment
- Customer relations

How the businesses engage with this stakeholder group

- Customer surveys
- Labelling
- Social media
- Customer/consumer information lines

How the Board engages and/or is kept informed and takes matters into account

- The Board is regularly updated by each business division on key customers and key issues impacting customers and consumers.
- The group Director of Financial Control provides the Board with an annual paper on food and feed safety.

Key matters on which the Board were briefed include:

- The 'Primark Cares' initiative reflecting growing consumer demand for products made using more sustainable materials.
- Primark's new in-store recycling scheme in the UK allowing customers to recycle pre-loved clothing, textiles, footwear and bags from any brand. See further detail on page 48 of the 2020 Responsibility Update.
- Safety measures throughout the Primark stores in response to COVID-19 – see the example on page 18 regarding store reopening.
- Helping to keep people fed by implementing safety measures to keep production sites open and operating safely and by careful planning and scheduling of customer orders – see pages 25 to 27.

See further details on page 79 of this report and on pages 33 to 36 of the 2020 Responsibility Update.

COMMUNITIES AND THE ENVIRONMENT

Supporting society and respecting the environment are two of the key ways we live our values and make a difference.

Key issues

- Climate change mitigation and adaptation
- Natural resources and circular economy

How the businesses engage with this stakeholder group

- Coaching and training programmes
- Community programmes and schemes

How the Board engages and/or is kept informed and takes matters into account

- Senior management of the business divisions report to the full Board at least annually on ESG matters.
- The Board reviews risk assessments undertaken by the businesses each year, which consider climate change impacts and risks.
- The Board was briefed on the work Primark and other group businesses have done for local communities such as Primark donating care packages to healthcare workers at UK and other hospitals across Europe and AB Sugar in Africa preparing and equipping medical facilities on sugar estates.
- See also the Primark Cares and Primark in-store recycling scheme referred to above.

See further details on pages 78 to 83 of this report and on pages 37 to 57 of the 2020 Responsibility Update.

See also the example on page 18, in particular the establishment of a fund to cover the wages component of Primark orders that had been cancelled.

SHAREHOLDERS

The Company has a mix of individual and institutional shareholders whose views are valued.

Key issues

- Return on investment
- Business performance
- Sustainability

How the businesses engage with this stakeholder group

- Website
- Annual general meeting
- Annual report
- Responsibility Report/Update and ESG Appendix
- Press releases
- Results announcements
- Registrar

How the Board engages and/or is kept informed and takes matters into account

- The annual general meeting provides an opportunity for retail shareholders to submit questions to be addressed by the Board.
- The Board also responds either directly or via its in-house company secretarial team to queries raised throughout the course of the year.
- Regulatory News Service announcements, both scheduled and, this year, additional announcements to keep shareholders updated on the impact or actions resulting from COVID-19.

Further details of how the Board engages with shareholders is included on pages 102 to 103 of the corporate governance report.

See the examples on pages 17 and 19 of principal decisions in respect of which shareholders were considered amongst the most affected stakeholders and how their interests were taken into account.

GOVERNMENTS

The group is impacted by changes in laws and public policy.

Key issues

- Regulatory changes including:
  - COVID-19
  - Brexit
  - Tax
- Climate and environmental related matters
- Support of businesses and workers

How the businesses engage with this stakeholder group

- Meetings
- Responding to requests for input (e.g. on COVID-19 guidelines)
- Applications to participate in government schemes

How the Board engages and/or is kept informed and takes matters into account

- The Company engages with governments to contribute to, and anticipate, important changes in public policy.
- The Board is briefed on engagement with governments including on matters specifically related to dealing with the impacts of COVID-19.

See the example on page 19 in relation to the UK Job Retention Bonus.

INSTITUTIONAL INVESTORS

Institutional investors' views on our value, strategies and culture are important to the Company.

Key issues

- Return on investment
- Business performance
- Sustainability

How the businesses engage with this stakeholder group

- Meetings
- Annual report
- Responsibility Report/Update and ESG Appendix
- Press releases
- Results announcements

How the Board engages and/or is kept informed and takes matters into account

- Each year, the Chairman invites the Company's largest institutional shareholders to share views and discuss any issues or concerns.
- The Chairman, Chief Executive and Finance Director meet with investors throughout the year.
- At each Board meeting, the directors are briefed on meetings that have taken place with institutional shareholders and on feedback received, including any significant concerns raised. These are then considered at the Board meeting.
- The Remuneration Committee Chair meets with investors and analysts to answer queries and feedback around remuneration issues.
- The Responsibility Report and ESG Appendix are approved by the Board and are produced in response to increasing requests for information from institutional investors and ESG ratings agencies.

See the examples on this page and on page 19 of principal decisions in respect of which investors were considered amongst the most affected stakeholders and how their interests were taken into account.

Principal decisions

The extraordinary events of the latter half of the financial year have meant that the principal decisions of the Company (and the group as a whole) have often related to mitigating the adverse effects of COVID-19. For a group whose purpose includes providing clothing that is great value for money, the challenge of a complete closure of the group's 375 Primark stores worldwide over the course of a 12-day period in March cannot be understated. The other primary purpose of the group, namely providing safe, nutritious, affordable food, played a key role in keeping people fed.

Such events heavily impacted the strategic decisions made and shaped the engagement with stakeholders both at Board level and by the businesses. In particular, there was a need to ensure that the consequences of decisions were the right thing for promoting the success of the Company in the long term, as well as having regard to maintaining a reputation for high standards of business conduct.

The Board received weekly updates on the impact of COVID-19 on the group from early March 2020 to mid-June. Some examples of principal decisions that were taken during the year and how stakeholder views were taken into account and impacted on those decisions are provided in the following examples.

Decision not to pay an interim dividend in July 2020.

Which stakeholders most affected?

- Shareholders/Investors

Consideration of stakeholder views/interests and impact on decision making

While the impact on shareholders/investors of non-payment of an interim dividend was considered, it was decided that it was in the longer-term interests of the Company not to pay such dividend. In particular, notwithstanding the encouraging performance of the group in the first half of the year, the Board considered non-payment of the interim dividend to be prudent given the focus on managing the group's cash outflow in the second half of the year.

The decision was taken by the Board as part of a broader course of action including:

- stopping non-essential capital spend and discretionary operating expenditure across the entire group;
- reducing fixed costs;
- accessing government employment retention schemes in respect of Primark retail employees;
- temporarily reducing base pay of executive and non-executive directors, other senior employees at the Company and Primark employees; and
- taking steps to confirm the availability of existing, and to agree new, borrowing facilities to meet the challenges ahead.

The decision was also considered to be in the interests of employees, customers and suppliers as well as being in the longer-term interests of the Company.

Primark decision to cease placing new orders with suppliers following worldwide closure of all stores and subsequent reinstatement of orders.

Which stakeholders most affected?

- Suppliers
- Communities/Environment

Consideration of stakeholder views/interests and impact on decision making

Primark's product and sourcing teams were in close and regular contact with suppliers. Those teams then reported through to the CEO of Primark, the Director of Primark Ethical Trade and the Director of Primark Supply Chain, Sourcing and Quality, including on any concerns raised by suppliers.

The CEO of Primark, Director of Primark Ethical Trade and Director of Primark Supply Chain, Sourcing and Quality liaised closely with the executive directors of the Company, who updated the Board on a weekly basis throughout the period in which all shops were closed.

Stakeholder views were taken into account by the Board, alongside weekly reports of group cash flow, in making various decisions throughout the period from stores closing through to their reopening including:

- the decision, announced by Primark on 22 March 2020, to cease placing new orders with suppliers, reflected the need to reduce costs in order to secure the longer-term success of the business. This also reflected the fact that some £1.5bn worth of stock was already in stores, depots or in transit with no avenue through which to sell while stores were closed;
- the decision, announced by Primark on 3 April, to establish a fund to cover the wages component of orders that had been cancelled, taking into account concerns raised by suppliers and reflecting a reputation for high standards of business conduct;
- the decision, announced by Primark on 20 April 2020, to commit to pay for some £370m of additional orders, meaning that Primark had committed to take all product that was both in production and finished and planned for handover by 17 April;
- the decision, announced by Primark on 31 July 2020, to commit to pay its garment suppliers in full for all outstanding finished garments and to utilise or pay for any finished fabric liabilities; and

Consideration of stakeholder views/interests and impact on decision making continued

- the decision, announced by Primark on 31 July 2020, to place some £1.2bn of orders for coming seasons, reflecting the trading performance of stores after reopening.

The above actions reflected the decision to prioritise more funds to support the supply chain, as costs began to be mitigated and a reopening timetable could be seen. They also recognised the longer term need for there to be a healthy, thriving retail environment (which is also in customers' interests) in order to underpin a healthy, thriving supply chain.

Primark decision to reopen stores.

Which stakeholders most affected?

- Employees
- Customers/consumers

Consideration of stakeholder views/interests and impact on decision making

Experience was also gained or learned from having had our food manufacturing businesses operating during the lockdown period and from the food retail industry having been open during the lockdown period.

With safety being the highest priority in the detailed preparations to welcome customers and employees back to stores (for which, see further detail on pages 58 and 59), the Board was briefed on the steps taken to protect employees and customers and on feedback received.

Following feedback from customers, on top of the safety measures put in place at the outset, additional dividers were installed at tills in the majority of Primark's stores to enable more tills to be opened and to reduce queues.

Safety was the highest priority when making the detailed preparations to reopen all Primark's stores and welcome back both employees and customers.

Decision not to take advantage of UK Government support under the Job Retention Bonus announced by the UK Chancellor in July 2020.

Which stakeholders most affected?

- Employees
- Shareholders/Investors
- Government

Consideration of stakeholder views/interests and impact on decision making

Account was taken of the UK Government's Job Retention Bonus policy paper published on 31 July 2020.

The Board considered that, following the reopening of the majority of Primark's stores and removal of Primark employees from the government employment support schemes in the UK and Europe once our stores in England had reopened, it should not be necessary for Primark to apply for payment under the Job Retention Bonus scheme.

This took into account the stabilised financial position of the group, particularly following the reopening of the Primark stores, and was not thought to adversely impact the interests of employees or shareholders/investors.

Decision to repay the Revolving Credit Facility drawn down on 18 March 2020.

Which stakeholders most affected?

- Suppliers (banks)
- Shareholders/Investors

Consideration of stakeholder views/interests and impact on decision making

The group treasury and legal teams liaised closely with the lead supplier bank and its advisers in relation to the Revolving Credit Facility and liaised closely with the Finance Director, who reported to the Board.

The Board took into account the terms offered by the supplier banks, the ongoing liquidity requirements of the group and the interests of shareholders in its decision to repay in August 2020 the money drawn down under the Revolving Credit Facility as well as the decision to extend the maturity date of the facility to July 2023 taking into account the longer-term interests of the Company.

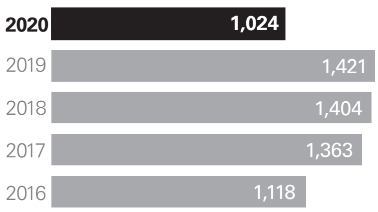
The interests of shareholders/investors, employees and suppliers were also considered and the decision to repay was not thought to adversely impact their interests.

HOW WE TRACK PROGRESS

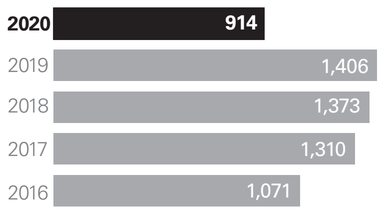
We use key performance indicators to measure our progress in delivering the successful implementation of our strategy and to monitor our performance.

Financial

Adjusted operating profit (£m)

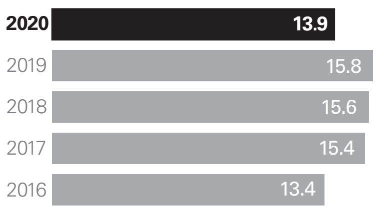


Adjusted profit before tax (£m)



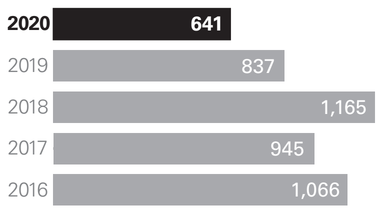
Adjusted profit and earnings measures provide a consistent indicator of performance year-on-year and are aligned with incentive targets.

Group revenue (£bn)



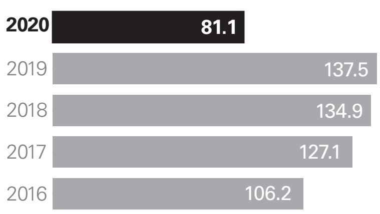
Revenue is a measure of business growth. Constant currency comparisons are also used to provide greater clarity of performance.

Gross investment (£m)

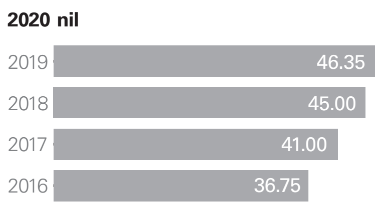


A measure of the commitment to the long-term development of the business.

Adjusted EPS (pence)



Dividend per share (pence)

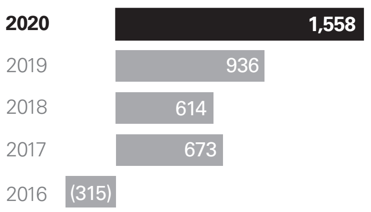


The group's organic growth objective aims to deliver steady growth in earnings and dividends over the long term. Adjusted earnings per share is a key management incentive measure.

The group has defined, and outlined the purpose of, its alternative performance measures in note 30.

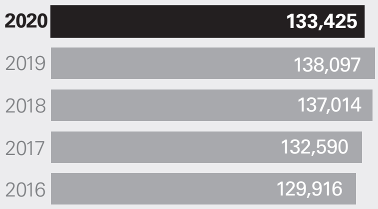
Non-financial

Net cash/(debt) (£m) (before lease liabilities)



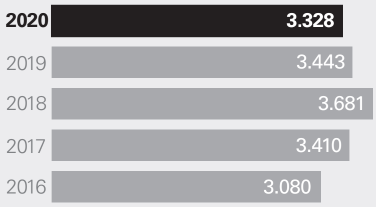
This measure monitors the group's liquidity and capital structure and is used to calculate ratios associated with the group's bank covenants.

Number of employees



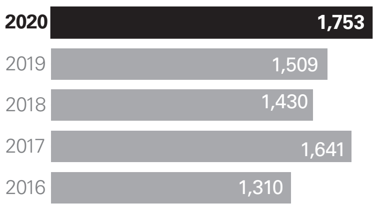
A measure of the scale and growth of the group – the average number of people employed during the financial year with a contract of employment, whether full-time, part-time, contractor or seasonal worker.

Tonnes of sugar produced (m)



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

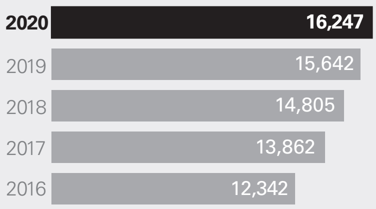
Cash generation (£m)



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.

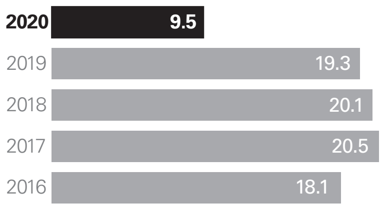
Number of countries of operation (Primark)

Primark selling space (sq ft 000)

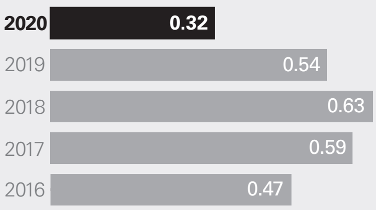


The number of countries and the retail selling space from which Primark operates are measures of the breadth, scale and growth of the business.

Return on capital employed (%)

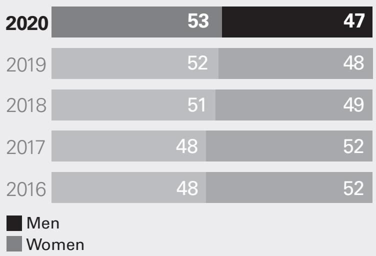


Reportable injury rate (%)



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.

RISING to the challenge

& KEEPING PEOPLE FED

66%

In the first week the UK went into lockdown, Allinson's Mill delivered 66% more pallets of flour to its customers than the weekly average.

Read more about how Grocery rose to the challenge on page 25

GROCERY

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

ABOUT

Twinings Ovaltine
The largest of our grocery businesses, Twinings Ovaltine, has broad geographical reach. Twinings has been blending tea since it was founded in 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, Blue Dragon and Al'Fez branded products are sold internationally.

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

Jordans Dorset Ryvita
Jordans Dorset Ryvita operates in the better-for-you cereal and savoury biscuits categories with increasing international presence. Jordans has a heritage of using wholegrain oats in the production of its cereals and cereal bars. Dorset Cereal's award-winning muesli and granolas are renowned for the quality of their ingredients, which include wholegrain oats as well as fruits, nuts and seeds from around the world. 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's and Burgen brands, with flour and semolina produced by sister company, Allied Mills. Speedibake specialises in own-label baked goods, such as muffins and mince pies, 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. Anthony's Goods is an organic and natural flours, meals and food business, primarily for online.

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.

AB 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. The HIGH5 brand sponsors a wide range of sporting events across the UK and internationally.

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 our 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.

HOUSEHOLD FOOD BRANDS ENJOYED ALL OVER THE WORLD

Revenue

£3,528m

2019: £3,498m

Actual fx: Up 1%
Constant fx: Up 2%

Adjusted operating profit

£437m

2019: £381m

Actual fx: Up 15%
Constant fx: Up 15%

Adjusted operating profit margin

12.4%

2019: 10.9%
2019 IFRS 16 pro forma: 10.9%

Return on average capital employed

31.3%

2019: 27.4%
2019 IFRS 16 pro forma: 26.2%

Our Grocery businesses delivered a very strong performance with adjusted operating profit growth of 15% and profit margin increasing from 10.9% to 12.4%. Their business plans, set a year ago to achieve further margin improvement through improved trading and cost efficiencies, were realised. Our businesses responded to the increased demand for food sold through the retail channel as a result of the restrictions imposed by governments to contain the spread of COVID-19. Workplaces were rapidly adapted to ensure a safe working environment for our employees. We overcame the logistical and operational challenges posed by COVID-19 and produced higher volumes throughout the second half. These higher volumes more than offset the decline in those products sold to out-of-home and foodservice channels.

Grocery revenues were 2% ahead of last year with growth in Twinings, UK Grocery, ACH and George Weston Foods in Australia. This growth was held back by lower foodservice sales and a decline in Allied Bakeries. Adjusted operating profit growth of 15% was driven by cost efficiencies and, particularly in the second half, lower promotional spend more than offsetting a one-time non-cash asset write-down in Allied Bakeries of £15m.

Twinings made good progress this year with volume growth in black tea and infusions in the retail channel in each of its major markets. In the second half of the year the benefits from an increase in home consumption more than offset a decline in the much smaller out-of-home channels. A key driver was the growth in healthy teas with the launch of a Twinings Infusions range in France for the first time and the expansion of the Wellness range in the US. Sales of Ovaltine were held back by the impact of COVID-19 on impulse sales, particularly in Thailand and Vietnam, partially offset by successful new product launches in Switzerland and Brazil. Overall margins improved and also benefited from a full year of production efficiencies following the closure of our tea factory in China last year.

Silver Spoon, Jordans, Dorset Cereals, Ryvita and AB World Foods all benefited from significant increases in consumer demand in the second half of the year. Westmill and AB Sports Nutrition saw sales and profit declines due to the reduction in foodservice demand and sports events respectively. The acquisition of the fast-growing Al'Fez Middle Eastern brand complements AB World Food's existing brand portfolio and we have already achieved new retail listings in the UK and internationally.

Allied Bakeries revenues declined this year following the termination of our largest private label bread contract earlier in the financial year. The business implemented a significant cost reduction programme during the year. Combined with a COVID-19 related uplift in sales the underlying operating result improved. Following our announcement in July of our exit from the Co-op contract, the carrying values of some of our distribution assets have been reviewed, resulting in a write-down charge of £15m. In the second half we received £30m for the insurance claim relating to the fire in February at our Speedibake Wakefield factory. This has been treated as exceptional and more than offsets the exceptional charge of £25m taken in the first half.

Acetum delivered profit growth with increased sales of balsamic vinegar in North America and a further improvement in margin. ACH's Mazola became the leading US brand in cooking oils earlier this year and the second half saw extremely high demand from the retail channel for our products. Since the introduction of government restrictions related to COVID-19 in North America there has been an exceptional increase in the demand for ingredients for home baking. Although successful in significantly increasing production capacity for baking ingredients, demand has still exceeded our ability to supply. Anthony's Goods, the supplier of high quality natural and organic food products acquired in September last year, performed strongly this year also driven by this demand for home baking products.

George Weston Foods delivered excellent sales growth and margin improvement, with strong sales of bread and breakfast goods by Tip Top more than offsetting weaker foodservice sales of meat products by the Don KRC business. Yumi's has seen continued strong sales growth and we have invested in new packaging equipment and marketing activity to support the launch of a new vegetarian burger.

Grocery in action

FEEDING THE UK

Associated British Food's grocery businesses worked around the clock to meet the unprecedented consumer demand for high-quality, affordable food during lockdown, when public movement was severely restricted.

Orders for everyday staples surged after lockdown began in March and at peak demand Allied Bakeries saw a 13% increase in bread production. Orders for Jordans, Dorset Cereals and Ryvita products rose by 28% and demand for Westmill's retail noodles, both retail brands and own-label, rose by 97%. Ingredients for family meals were also highly sought after, with sales of Patak's sauces up 45% and Blue Dragon meal kit purchases increasing by 75%, reflecting the fact that more people were eating three meals a day at home. Speedibake made 1 million extra garlic loaves in the first three weeks of lockdown, with Acetum sales of Balsamic Vinegar of Modena up by 25% year-on-year during the peak months of April and May.

Rising to the challenge

The grocery businesses adopted common strategies to meet this rapid rise in demand. Niche and specialist lines were reduced to significantly increase production of core ranges that were in high demand. To extend production time employees worked extra shifts and increased overtime. Procurement teams, meanwhile, found alternatives for packaging, raw materials and ingredients that were unavailable, as downstream supply chains around the world were disrupted.

Customers also helped out. Many agreed to order full baskets rather than single units, simplifying and speeding up despatch, or extended their delivery time windows, allowing logistics teams to schedule many more and much larger deliveries.

At peak demand our businesses saw:

13%
rise in bread production at Allied Bakeries

28%
rise in demand for Jordans, Dorset Cereals and Ryvita products

45%
rise in sales of Patak's sauces

75%
rise in demand for Blue Dragon meal kits

97%
rise in demand for Westmill's retail noodles

200%
rise in flour demand from supermarkets

FEEDING THE UK CONT.

Doing things differently
Such flexibility was achieved against a backdrop of significant operational change across all businesses. This included introducing new ways of working to make locations safe and COVID-19-secure, such as installing Perspex screens, introducing one-way systems and enhanced cleaning practices.

It also involved setting up food donation programmes for local community groups, charities, food banks and frontline service providers and increasing the usual donations to FareShare, which distributes surplus, high-quality food to vulnerable people. During just the first four weeks of lockdown, UK Grocery donated 150,000 products to those in need.

Allinson's and James Neill's Mills
Two specific UK Grocery sites – Allinson's Mill in Bishop's Stortford and James Neill's Mill in Belfast – faced a particularly sharp and sudden rise in demand. With more time at home, the nation rediscovered its love for baking.

UK Grocery donated 150,000 products to those in need in just four weeks.

MEET SIAN

Sian Owen
Process Technologist,
Food Manufacturing, Speedibake

"Every year our mince pie recipes have to be adapted for changing fruit harvests, which affects the mincemeat composition. There's a real art to updating our recipes, which we trial and re-trial until they're ready for approval. Timing is crucial, as we need to ensure we have enough time to bake the nation's pies. So, when it came down to it, I just had to find a way through.

Ensuring mince pies for Christmas
When COVID-19 hit, the New Product Development team at Speedibake, our own-label specialist baked goods business, became smaller due to absenteeism from staff shielding. Sian, one of our newest team members, rose to the challenge to keep product launches on track and items on shelves. One of those product lines was Christmas mince pies.

Due to a devastating fire in February at our Wakefield bakery, Sian had to improvise. She moved into a meeting room in our Bradford site and used domestic ovens and some customer facilities to conduct the time critical annual bake tests she would usually undertake in our own industrial facilities. The skill needed to translate performance from a domestic to an industrial oven for customer trials is no small feat.

Thanks to Sian's can-do attitude, and ingenuity, Speedibake will produce its great-tasting 33 million mince pies for Christmas this year, more than 80% of the UK's 'baked in-store' mince pies the nation purchases from the major supermarkets each year.

James Neill's Mill featured in BBC Two's 'Keeping Britain Fed' programme, which examined how the national food supply withstood the pressure of the early days of COVID-19.

Demand for flour in supermarkets consequently increased sharply, in April rising 200% above usual levels.

While there was no shortage of flour itself – with the significant amount that usually went to restaurants and foodservice businesses being available to retail customers due to lockdown – there was a lack of capacity to pack 1.5 kg bags for stores.

Faced with this challenge, Allinson's and James Neill's Mills ran at greater capacity and for longer hours than ever before. In the first week of lockdown, Allinson's provided customers with 66% more pallets of flour than its weekly average. Meanwhile, Neill's took what would ordinarily have been ten weeks' worth of retail customers' flour orders in one day, using up four months of reserve packaging stock.

The two mills worked with retailers to ensure fair and even distribution and to devise creative ways to get flour to consumers. This included providing stores with 4 kg and 16 kg pack sizes that shop staff packed into smaller bags in-store. Even then – with all UK mills combined producing enough 1.5 kg bags of flour for 15% of households to buy one per week – demand significantly outstripped capacity.

Empty supermarket shelves in the home baking section became emblematic of how sharply and suddenly the world had changed. Allinson's efforts to keep shelves stocked featured on a full day's BBC news schedule, with its team described as 'hidden heroes', while James Neill's Mill took part in BBC Two's 'Keeping Britain Fed' programme, which examined how the national food supply withstood the pressure of the early days of COVID-19.

MAZOLA: A CENTURY-OLD BRAND TOPPING THE US MARKET

Mazola has taken the lead in the US branded cooking oil sector by leveraging its health credentials and increasing its retail profile.

Mazola corn oil was the leading US brand by volume for the year to the end of February 2020, with more than 11% of the market, having been the third-leading brand as recently as 2016.

Investing in the brand

Mazola's steady growth reflects continued marketing investment and strong retail execution, a new approach in a sector traditionally led by price. After ACH-funded clinical research proved that corn oil is significantly better than extra virgin olive oil in lowering 'bad' cholesterol – findings which were published in leading scientific journals – Mazola has consistently targeted health-conscious consumers with its healthy heart message. That, along with the brand's great taste and versatility, has encouraged more and more consumers to use Mazola.

The brand continues to evolve its marketing approach to expand its consumer base. While television advertising remains the core platform, between 2017 and 2020 Mazola increased its digital investment by 500%, including the regular posting of healthy recipe ideas. Online promotion enables a precise targeting of consumers not always possible via television advertising. For example, the business can connect with consumers electronically and advise them that corn oil is better for their heart.

Expanding retail range

Mazola's continuing growth also follows its success in encouraging more stores to stock its different product sizes. In the past five years Walmart, for example, has increased its range of Mazola variants by 30%. As well as keeping sales high, the brand has also lowered costs and supported the environment by reducing its amount of plastic packaging.

Mazola's continuing growth story is all the more striking given the great age of the brand, which celebrates its 110th anniversary in 2021.

11%

Mazola was the leading US brand by volume for the year to the end of February 2020 with more than 11% of the market.

500%

Between 2017 and 2020 Mazola increased its digital investment by 500%.

VEGETARIAN LAUNCHES DRIVE YUMI'S GROWTH

Yumi's, our Australian chilled dips and snacks business, has grown strongly, benefiting from an increasing trend for meat-free foods and its 2018 acquisition by George Weston Foods.

With post-acquisition support and investment, Yumi's has expanded its operational and marketing capability, enabling it to identify key opportunities and manufacture winning product ranges. It has continued to grow in its heartland of chilled dips via flavour extensions and by meeting demand for innovative tastes and textures.

New packing automation and filling equipment has increased production speeds and enabled Yumi's to meet growing consumer and retailer demand for a wider dip range. Recent launches include a classic creamy garlic dip and a textured rocket and almond pesto hommus.

As a proud vegetarian brand, Yumi's sees a great opportunity in plant-based foods, which are growing globally as consumers seek healthier choices.

2020

Yumi's expanded its Veggie Bites range; launched vegetarian burgers; and added new flavours to its dip range in 2020.

Research shows that almost half of Australian adults are trying to eat less meat – as reflected in the sustained double-digit sales growth in major grocery retailers' plant-based categories.

Expanding winning ranges
Yumi's first launch in this arena, Veggie Bites, consisted of delicious bite-sized balls made from fresh vegetables with no preservatives. This first-to-market offering, with its new product format and pouch packaging, was an instant hit. The range has now been expanded to five varieties including Zucchini & Lentil and Sweet Potato & Herbs.

Building on the success of Veggie Bites and continued category growth, Yumi's identified an opportunity to expand into vegetarian burgers. Having no burger-packing capability, it invested in a new packing machine and expanded its frying and conveyer equipment. Aware that the primary barrier to sampling among the target 'meat reducer' audience was concern around taste, the burgers were crafted to delicious recipes with consumer communication centred on taste.

Investment has enabled Yumi's to advertise through mass media, with the 2020 campaign including TV, online video and outdoor and in-store communication. This is a significant step forward for the brand, supporting new growth opportunities and product extensions.

Grocery in action

FROM HEALTH DRINK TO INDULGENT DESSERT: OVALTINE'S STIRRING JOURNEY

In the early 20th century, a Swiss chemist perfected a wholesome powdered drink to help combat malnutrition. Reflecting two of its key ingredients, eggs and malt, Dr Albert Wander named his creation Ovomaltine.

In 1906 the product reached the UK, where it was called Ovaltine. More than one century later, that drink – along with numerous category and range extensions – is enjoyed by millions of people in over 100 countries. And while its nutritious benefits are still a prime attraction, it is now as likely to be consumed as an indulgent treat or an energy snack.

Continuous innovation
Ovaltine's growth has been driven by powerful innovation. The brand introduced its first line extension, a single-portion sachet for cafés, in 1931 with the Ovo Sport bar arriving six years later. Fast forward to 2020 and more than half of turnover in its home country of Switzerland now comes from products launched in the 21st century. Products range from ready-to-drink Ovaltine, muesli, ice cream and in Brazil, even pizza.

Consumer insight teams across the world closely monitor emerging preferences, often from a vantage point inside family homes. Indeed, the genesis of the brand's successful Crunchy Cream spread – which includes crispy malt granules and cocoa – came when a Swiss consumer insight team noticed people were sprinkling Ovaltine on their bread at breakfast time. The winning idea was extended recently with the launch of Ovaltine Crunchy Roll – a bread roll filled with the spread for eating on the go.

Ovaltine has also introduced a palm oil-free version of Crunchy Cream in Europe, acknowledging demand from some consumers for such products. Carefully developed over three years to ensure it has exactly the same consistency and taste as the original spread, the rapeseed oil-based product has been an immediate hit.

Straight from the Swiss mountains
Regional innovations are often subsequently rolled out into other markets. Rocks – bite-sized chunks of Ovaltine, originally launched in Switzerland three years ago – were first introduced in Brazil as a McDonald's McFlurry flavour. Following that success, they have now hit retail shelves as a standalone product 'straight from the Swiss mountains'. Ovaltine has also grown by recognising differences – as well as similarities – between regional tastes. In Brazil, it is crunchier and sweeter, with less malt. Its positioning as a delicious flavouring is on a par with chocolate, rather than a drink, giving it a leading role in numerous categories – from cheesecake and ice cream to crêpes and biscuits. By contrast, in Thailand, Ovaltine's biggest market, nutrition remains the focus, with a recent innovation being a soy-flavoured drink mix.

Partnerships have played a key part in the brand's growth. In Brazil, for example, more than 25 major food chains, from KFC to Subway, offer an Ovaltine-branded dessert. In the country's supermarkets there are numerous Ovaltine-branded products produced by other leading food and drink companies, from Hershey's chocolate bars to Unilever ice cream.

1904
Ovomaltine is founded by Swiss chemist Dr Albert Wander.

1906
Ovomaltine reaches the UK and is called Ovaltine.

1937

The Ovo Sport bar arrives.

100+ COUNTRIES

The Ovomaltine range was enjoyed by millions of people in over 100 countries in 2020.

25+ FOOD CHAINS

In Brazil more than 25 major food chains, from KFC to Subway, offer an Ovaltine-branded dessert.

BRINGING MIDDLE EASTERN FEASTS TO FAMILY MEALTIMES

Fuelling its goal to inspire more people to explore diverse international cuisines, AB World Foods has acquired Al'Fez, the leading mainstream Middle Eastern brand in Europe.

Middle Eastern foods and flavours – such as falafel, harissa and sumac – are becoming ever more popular in home cooking. Al'Fez supplies a range of traditional Middle Eastern foods to retailers and foodservice customers in 28 countries including the UK, the Netherlands, Belgium, Switzerland, Finland, Spain, Portugal, Denmark, Italy and Norway. AB World Foods' December 2019 acquisition of Al'Fez complements its existing portfolio, including Patak's and Blue Dragon.

Expanding the category

Middle Eastern food crosses countries and continents, with flavours drawn from the southern Mediterranean, North Africa and the Levant. While steeped in a rich history, the region's cuisine is at the cutting edge of many exciting new food trends – from people wanting to experiment more at home with fresh new flavours to those seeking delicious alternatives to meat.

December 2019

AB World Foods' December 2019 acquisition of Al'Fez complements its existing portfolio, including Patak's and Blue Dragon.

28 countries

Al'Fez, available in more than 28 countries, supplies retailers and foodservice customers with a range of traditional Middle Eastern foods.

The Al'Fez range – created by Sam Jacobi, an entrepreneur of Iraqi descent who was born in Israel and raised in London – is dedicated to expanding the Middle Eastern cuisine category, which is currently under-represented in the world foods aisle. It aims to make the region's complex set of flavours widely accessible for the home chef, through its easy-to-use products that provide the building blocks for a feast.

Inspired by tradition

The range is inspired by authentic Middle Eastern family dishes and flavours. It includes: tahini, made from 100% ground roasted sesame seeds; spices, from the fresh, zesty flavour of sumac to the aromatic warmth of za'atar; harissa paste varieties, each adding their own twist of flavour; classic-flavoured tagine cooking sauces; couscous varieties, such as Moroccan Spiced, Giant Maftoul and Pearl; and mezze kits that bring favourites such as tabouleh, flatbread and falafel to the table, each cooked from scratch.

JORDANS: PURPOSEFUL PIONEERS

From boosting biodiversity in almond groves to supporting Amazonian communities, Jordans has been doing good while growing strongly for almost five decades.

Jordans was one of the UK's original 'purpose-driven' brands. It's hard to imagine now, but when it was founded in 1972, the idea of using organic oats in breakfast cereals to improve people's health and protect the environment was a novel idea. However, as interest in the links between food and health has grown, so too has the Jordans brand.

Expanding yield while helping wildlife

In 1985, Jordans was a pioneer in working with farmers to not only grow oats and improve yield, but to make sure space was provided for wildlife. This approach remains a cornerstone of the brand today. In 2016, Jordans built on this foundation by launching The Jordans Farm Partnership – an improved farm partnership model working with UK conservation charity, The Wildlife Trust and LEAF. This requires at least 10% of each British farm that supplies Jordans to be managed for wildlife, overseen by an environmental adviser and supported by agronomists. Thirty-four farmers now grow oats for Jordans, creating more than 4,200 hectares of land – or 3,000 football pitches – for wildlife such as barn owls, brown hares, turtle doves and vital pollinating insects including bees.

The brand's purpose-driven work has grown alongside its international footprint. In 2019, Jordans assisted the Seeds for Bees project in Californian almond groves, introducing wildflowers on 512 acres of land. This practice boosts biodiversity and improves pollination and almond yields. The flowers also provide ground cover, which reduces soil erosion and improves moisture retention – a significant benefit in this drought-hit area.

Protecting communities

Jordans also supports a programme in Bolivia that protects Brazil nut trees and the communities that depend upon them. Brazil nuts – a staple in many Jordans products – are a fascinating ingredient that are entirely 'wild harvested' from the Amazon rainforest. As Brazil nut trees depend on the forest to fruit, they are threatened by deforestation, with the nut-collecting communities themselves also vulnerable to poor harvests. The programme works with 15 harvester communities to help grow healthy Brazil nut trees and plant new saplings in the forest. In doing so, it demonstrates how the rainforest can generate economic prosperity for its communities. The initiative also identifies new income streams for harvester communities and provides guidance on health and sanitation.

4,200 ha for wildlife

Thirty-four farmers now grow oats for Jordans, creating more than 4,200 hectares of land (or 3,000 football pitches) for wildlife such as barn owls, brown hares, turtle doves and vital pollinating insects including bees.

16
YEARS

Having built up skills and expertise and developed first-rate facilities in 16 years of growing tomatoes, when the opportunity arose British Sugar opted to use its horticulture capabilities to grow a key ingredient for the pharmaceutical industry.

→

Read more about how British Sugar rapidly changed one part of its business on page 38

TRANSFORMATIONAL EFFICIENCY AND Sustainability

SUGAR

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

ABOUT

We employ 32,000 people and operate 27 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 Europe, 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, based in South Africa and operating in the growing markets of Eswatini, Malawi, Mozambique, Tanzania and Zambia. 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.

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.

A WORLD-LEADING SUGAR BUSINESS FOCUSED ON EXCELLENCE

Revenue

£1,594m

2019: £1,608m

Actual fx: Down 1%
Constant fx: Up 5%

Adjusted operating profit

£100m

2019: £26m

Actual fx: Up 285%
Constant fx: Up 376%

Adjusted operating profit margin

6.3%

2019: 1.6%
2019 IFRS 16 pro forma: 1.9%

Return on average capital employed

6.3%

2019: 1.6%
2019 IFRS 16 pro forma: 1.8%

AB Sugar revenue was 5% ahead of last year at constant currency. Adjusted operating profit was well ahead, driven by further savings from the cost improvement programme and the expected recovery in EU sugar prices which more than offset lower profits at Illovo. Each business remained focused on reducing the cost of sugar production by identifying efficiencies in all areas including our agricultural supply chain.

EU sugar prices increased this year with a reduction in stocks following lower EU sugar production in the last two campaigns. Looking ahead, estimates for EU sugar production in the 2020/21 campaign are lower again due to reduced yields following adverse weather conditions throughout the season and the prevalence of virus yellows disease in the beet. Production volumes in the EU are estimated to be below consumption in the next marketing year. Furthermore there has been a recovery in the world sugar price following a sharp decline in March this year. Our UK and Spanish businesses have largely contracted sales for next year at prices in line with our expectations.

In the UK, sugar production from the 2019/20 campaign of 1.19 million tonnes was ahead of the prior year with a strong operating performance by the factories overcoming a much-prolonged campaign as a result of adverse weather. Beet processing lasted 208 days, a record for European sugar production. With the higher sales price and some improvement in sales volume the profitability of British Sugar improved significantly. At this early stage a reduction of well over 10% in sugar production is expected next year.

The operating performance in Spain improved significantly and the business delivered a breakeven operating result. This was achieved by a combination of higher sales prices, lower beet costs and a significant reduction in operating costs. In light of the beet volumes contracted by Azucarera in the second crop year after reducing the beet price, we have revised our financial forecasts for this business. This has resulted in a one-time non-cash write-off of goodwill of £23m as an exceptional charge.

Illovo delivered a much-reduced profit which was mostly driven by our performance in South Africa. Market demand in South Africa reduced this year by some 10% in response to the recent introduction of a sugar tax and we expect market volumes to continue at these lower levels. Adjusted operating profit included a £10m charge for restructuring, including the closure of the Umzimkulu mill in this market, which, combined with the cost improvement programme, is expected to deliver benefits in the next financial year. Illovo's sugar production was below last year at 1.63 million tonnes with the 2019/20 season curtailed by the early onset of the rainy season. The operating profit in Malawi was impacted by lower sales volumes this year but plans are in place to deliver an improvement next year. Export sales across southern Africa have been limited by COVID-19 restrictions on cross-border traffic between countries and on port capacity.

In China a return to normal yields after a very poor crop last year and higher sugar sales prices resulted in a much-improved operating result. Further progress is expected next year with a larger crop area and the benefit of almost 80% of grower contract payments now linked to beet sugar content.

Sugar in action

A laboratory employee testing sugar samples at the new on-site factory facilities.

PARTNERING WITH GROWERS TO STRENGTHEN CHINA'S SUGAR INDUSTRY

AB Sugar China has a long history of transforming the efficiency and sustainability of the sugar industry in China.

First established in the Chinese cane sugar sector in 1995, it moved into beet in the north with the acquisition of businesses in 2007. Since then it has invested heavily in the industry, leading the way in agricultural developments including mechanisation, so improving rural prosperity. AB Sugar China is now working with growers to further advance crop quality.

Traditionally, Chinese growers have been paid per tonne of beet, with no adjustment for the sugar content in the beet. Reflecting experience outside China, the business has now moved to Pay by Sugar (PBS), where growers are paid a headline price per tonne of beet with an adjustment for the actual sugar content.

To support growers in managing this significant shift, AB Sugar is helping them to develop best agronomy practices so they can increase their yield and sugar content thereby earning higher margins. In turn, AB Sugar China gains from ensuring a more sustainable beet supply, improved beet quality and greater operational efficiency at its two factories.

By the 2021/22 campaign, AB Sugar China aims to contract all of its 1,130 big growers by PBS. Already, during 2020/21, 77% of growers were contracted in this way – far higher than the business's original 50% goal.

The move to PBS involves further significant investment from AB Sugar, including the installation of beet sampling and testing equipment at both factories, mobilising 'beet academies' to train growers how to increase yields and providing additional R&D capability.

BRITISH SUGAR'S GROWTH OPPORTUNITY IN THE PHARMACEUTICAL SECTOR

British Sugar has reconfigured its successful UK tomato business by growing a key ingredient for the pharmaceutical industry.

Prior to 2016, British Sugar grew 2% of the UK's tomato crop at Riverside Glasshouse, 18 hectares of glasshouse (equivalent to 13 football pitches) that uses surplus heat and carbon dioxide from British Sugar's adjacent Wissington sugar factory.

Maximising the value of the high-grade facilities, it moved out of tomatoes and now uses Riverside to grow a non-psychoactive variety of cannabis, specially cultivated for medical purposes. This plant contains cannabidiol (CBD), the active pharmaceutical ingredient in Epidyolex®/Epidiolex® (cannabidiol), a medicine licensed in Europe and the US for children with severe forms of epilepsy. Some 240 miles of piping carries hot water from the sugar factory's combined heat and power (CHP) plant all year round to maintain temperatures that suit the plants.

13 football pitches

Riverside Glasshouse comprises 18 hectares of glasshouse (equivalent to 13 football pitches), that use surplus heat and carbon dioxide from British Sugar's adjacent Wissington sugar factory.

Growth opportunities

British Sugar switched from its successful, award-winning tomato crop to cannabis, due to the significantly greater growth and profit opportunities inherent in growing some pharmaceutical ingredients. The decision supported the business's strategy of maximising return on investment from all assets and being open-minded about new co-product and growth possibilities.

Riverside was reconfigured to provide the right environment for the new crop in just 60 days. Internal fixtures were removed; LED lights were inserted; and blackout blinds were installed throughout. The first cuttings were planted in January 2017, just two months after the last tomatoes were packed and sold, and by May 2017 the first batch of botanical raw materials were delivered to the client, GW Pharmaceuticals (GW)*.

60 days

Riverside was reconfigured to provide the right environment for the new crop in just 60 days.

British Sugar grows cannabis plants specifically bred by GW to produce CBD. CBD is produced naturally by microscopic resin heads (trichomes) found on the plants. These trichomes act as a defence mechanism to predators and harmful UV rays.

Epidyolex®/Epidiolex® is an oral solution which contains highly purified CBD. The medicine was approved by the U.S. Food & Drug Administration (FDA) in June 2018, and by the European Medicines Agency (EMA) in September 2019. The medicine was recommended by the National Institute for Health and Care Excellence (NICE) to receive routine reimbursement from NHS England in November 2019. GW continues to research the medicine in other forms of refractory epilepsy, alongside autism spectrum disorders.

* GW is a UK-based global biopharmaceutical company that has established a world-leading position in cannabinoid science and medicines over the last two decades. GW's pioneering work has led to the regulatory approval of world-first, potentially life-changing, cannabis-based medicines, which have treated thousands of patients in the UK and around the world.

Riverside Glasshouse (pictured below) is adjacent to British Sugar's factory in Wissington, UK (seen in background).

AT THE HEART OF THE UK'S HOME-GROWN SUGAR INDUSTRY

British Sugar is putting customers firmly at the centre of its operations as it delivers on its ambition to be the supplier of choice for sugar in the UK.

The business processes around eight million tonnes of sugar beet and produces up to 1.4 million tonnes of sugar annually. It has been strengthening its operations for over a decade, to succeed in the more competitive market arising from the 2017 EU industry deregulation. This includes continuous investment in its four factories which has totalled £500m over the past decade, driving efficiency improvements, reducing energy consumption and emissions, and improving operational flexibility.

Focused on our customers

Listening to what customers want – and delivering it – is pivotal to British Sugar's strategy.

Complementing the efficiency achieved via its ongoing supply chain investment, the team is committed to delivering quality products when customers need them, on time and in full.

Key to this has been providing customers with greater market insight through regular and reliable information on UK, EU and world sugar markets. The team has also focused on changing how it contracts with customers to introduce more options and to help reduce volatility in pricing and create longer-term relationships.

208 days

The business achieved Europe's longest-ever continuous sugar processing campaign lasting 208 days.

A focus on customers during 2019/20 has helped British Sugar boost service levels and sales volumes.

Other recent initiatives included developing a broader range of product format and traded sugars, investing in its customer services team, automating warehousing for quicker response times and extending logistics operations to allow bespoke scheduling. In 2019/20 these changes boosted service levels and sales volumes.

Record-breaking year with growers

In addition to focusing on customers, British Sugar also works closely with its growers and their representative body, NFU Sugar, to drive improvements and innovation.

Such collaboration has helped achieve over 25% improvement in beet sugar yields in the last ten years and this year achieving Europe's longest-ever continuous sugar processing 'campaign'. The campaign lasted 208 days, up from 194 days last year. It saw British Sugar process more than 7.8 million tonnes of beet, in 290,000 deliveries, from more than 3,000 growers.

Positioned for future success

As it looks to the future, British Sugar faces challenges and opportunities with an unswerving customer focus; security of supply by working in partnership with its growers; sound operations; and a robust leadership team.

Newark: one of British Sugar's four factories in which it has invested £500 million over the past decade.

25%

Collaboration with growers has helped achieve over 25% improvement in beet sugar yields in the last ten years.

3,000 GROWERS

British Sugar processed more than 7.8 million tonnes of beet, in 290,000 deliveries, from more than 3,000 growers.

MEET ERNEST

Dr Ernest Peresu
Group Medical Services Specialist, Illovo Sugar Africa

Along with readiness of the hospitals and clinics, a critical part of our COVID-19 emergency planning has been health communications. Ensuring we reached local communities with practical, evidence-based information to empower people to stay as healthy as possible was a key part of the plan.

Readiness of our hospitals and clinics in Africa

Illovo owns and runs four hospitals and 27 clinics spread across our operations in the six African countries in which we are located.

Dr Ernest Peresu has spearheaded our medical preparedness for the challenges of COVID-19, leading the plan-ahead team helping to safeguard the health and wellbeing of our employees and their families.

To deal with the expected increase in the volume of patients and to ensure dedicated lines of medical treatment to prevent the potential for cross-over infections, a key part of that plan was to create two streams of care – one for patients with respiratory symptoms and another for those with general illnesses – and ensuring adequate supplies of equipment, oxygen and PPE kits.

WORKING SMARTER WITH DATA TO YIELD BETTER results

20 YEARS

With 20 years of expertise, our data and technology platforms deliver targeted insights that create continuous improvement for agricultural supply chains.

→ Read more about how Intellync delivers targeted insight on page 46

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.

ABOUT

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 sell products into 84 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 29 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 one of the UK's largest and most progressive marketers of food and drink co-products, having pioneered the industry for over 30 years. Co-products are a secondary product stream created during the manufacture of food and drink. 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. 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 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.

STRATEGY

AB Agri operates through a strong network of contacts across the entire agri-food supply chain, influencing progressive systems that use expertise, technology and insight to make a difference to the way food is produced.

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 Associated British Foods group to harness new contacts and technologies.

PRODUCTS AND SERVICES FOR THE AGRI-FOOD INDUSTRY

Revenue

£1,395m

2019: £1,385m

Actual fx: Up 1%
Constant fx: Up 1%

Adjusted operating profit

£43m

2019: £42m

Actual fx: Up 2%
Constant fx: Up 2%

Adjusted operating profit margin

3.1%

2019: 3.0%
2019 IFRS 16 pro forma: 3.0%

Return on average capital employed

10.5%

2019: 10.7%
2019 IFRS 16 pro forma: 10.3%

Revenue and adjusted operating profit at AB Agri were in line with last year. As COVID-19 appeared in our markets the business reacted swiftly and effectively to ensure the safety of employees and continued availability of animal feed to our customers.

Sales and profit at AB Vista, our international feed enzymes business, were strongly ahead of last year, with good sales growth in the Americas and the first full year of sales from Signis, our innovative animal digestion aid. Growth trended lower in the second half as customers either reduced feed production volume or reduced their feed enzyme inclusion rates in response to lower foodservice demand.

Sales were lower this year at our UK feed businesses. Sales prices were reduced due to lower commodity costs and the benefit of new customers only partially offset lower compound feed demand following a decline in foodservice milk and poultry meat volumes as a result of COVID-19. The new premix production facility at Fradley Park in Staffordshire has now been fully commissioned. Our feed businesses in Spain and Denmark have performed particularly strongly and our Polish business, acquired last year, has performed well.

Intellync is our newly formed data and technology-led supplier of insights that enable more effective decision making on farms. This will improve efficiency and animal welfare on farms and provide enhanced supply chain assurance. During the year two small farm data and technology businesses were acquired and a new technology centre in Kilkenny, Ireland was opened.

Profits in our Chinese feed business benefited from lower raw material prices and tight cost control. Growth in our beef cattle and sheep feed business is reducing our reliance on pig production, which continues to suffer from the effects of African Swine Fever. Frontier Agriculture, our grain trading and crop inputs joint venture, saw a reduction in profit with unfavourable weather in the autumn and spring leading to a much-reduced winter cereal area and lower demand for fertilizer and crop protection treatments.

MEET BRIAN

Brian Kenyon
Senior Nutrition Manager,
AB Connect, a division of AB Agri

I'm proud of the work our team delivered. Thankfully, we haven't had to trigger the use of the emergency diets because supply chains remained robust. But by developing this suite of diets the UK's agri-food supply chain is even more resilient for the future.

A ground-breaking 'emergency diet' for livestock

Farmers need their livestock to have the right amount of minerals and nutrients to ensure a healthy, balanced diet. AB Connect, a part of AB Agri, is one of the top UK animal feed suppliers, ensuring that approximately 270 million chickens and 2.3 million pigs are fed a healthy, nutritious diet tailored to their needs.

When COVID-19 hit the UK, it presented a risk to manufacturing and delivery continuity for our compound feed mills. Brian and his Nutrition Team set to work on a solution to ensure livestock would still be fed should parts of the animal feed supply chain be interrupted. This had never been done before and required precision planning.

The solution they devised was a targeted range of diets that could be more easily supplied during a crisis, whilst still meeting the animals' health and welfare needs. Brian was the driving force behind turning complexity into simplicity. With his guidance and coordination, the Nutrition Team reviewed all pig and poultry diets and identified suitable emergency substitute diets. They then worked with the Commercial, Customer Services and Formulation Teams to transform these intricate formulas into a reality.

FEEDING BEST PRACTICE IN FARMING

A dairy farmer is preparing the daily feed ration for their herd and needs to adjust the formulation to account for rain and the addition of nine extra cows. They quickly add the correct number of cows to an app and activate the rain function; a new, balanced ration is sent automatically to the mixer wagon for the team to begin loading the exact amount of ingredients needed that day.

A few hours later, they review the mix precision to ensure the cows were fed accurately. They also receive an alert informing them that there may be an opportunity to optimise their starch inclusion that could improve the herd's milk production. The same message goes simultaneously to the farm nutritionist who, by the next morning, has remotely updated the ration calculation, adjusting the starch content. This automatically appears on the mixer wagon loading system, ready to be implemented with that day's feeding programme. The busy farmer, meanwhile, can continue to focus on running their farm.

Data-driven decision-making

Such instant nutrition and farm performance guidance is an everyday feature of the CowConnect weighing system and feeding software, one of a range of technology-led tools delivered by Intellync, a division of AB Agri. Through products such as CowConnect, Intellync provides its customers with data-driven insights that enable them to make better, faster, more sustainable decisions on farms – and across the supply chain – in line with best practice.

Intellync was launched in December 2018 to bring together and grow AB Agri's data, technology and sustainability capability, with its complement of deep agricultural expertise.

It has three business areas:

- **FarmWizard**, acquired in April 2020, which provides easy-to-use and navigate dairy farm management software and milk processor solutions;

THE SUPPLY CHAIN

Through our various businesses we cover the supply chain every step of the way.

FarmWizard

Provides easy-to-use and navigate dairy farm management software.

CowConnect

Provides an innovative weighing system and feeding solution that transforms how dairy farms drive feed accuracy.

- **CowConnect**, an innovative weighing system and feeding solution that transforms how dairy farms drive feed accuracy. Following the acquisition of CowConnect in March 2020, it was combined with AB Agri's existing nutrition and farm performance platform to create a world-leading feed management solution for the dairy industry;
- **Sustain**, which works with food processors and retailers to enhance brands, drive continuous improvement and safeguard supply chains through a specialised combination of technology and sustainability services.

Market-leading capability

Underpinning all Intellync's product lines is its recently commissioned Technology Centre in Kilkenny, Ireland. This new facility is central to the business's plans to deliver market-leading solutions that work across the entire supply chain. As Intellync expands its portfolio, it will also increase the centre's capability to support customers around the world and feed a growing population in a responsible way.

PROTECTING CUSTOMER BRANDS

Sustain is helping the Co-op to protect its brand, manage reputational risk and accelerate change by conducting regular reviews of its agricultural supply chain. This involves tracking the sustainability performance of over 300 British farms across seven food categories against indicators within the retailer's five agricultural pillars: animal health, welfare and quality; community; responsible resources; environmental practice; and people and skills. As well as providing an instant and accurate macro and micro performance picture, Sustain provides the Co-op and its producers with action plans to help underachieving suppliers improve.

This service is helping the retailer to meet its strategic goals of building consumer confidence in the Co-op brand; enhancing supplier engagement and willingness to implement improvements and providing data-assured evidence to underpin corporate responsibility reporting.

Sustain

Works with food processors and retailers to enhance brands, drive continuous improvement and safeguard supply chains through a specialised combination of technology and sustainability services.

UNDERSTANDING OUR CUSTOMERS IS AT OUR CORE

90 YEARS

AB Mauri's success reflects its trusted reputation, built up over almost 90 years in Brazil.

→ Read more about how AB Mauri has built upon its strong reputation in Brazil on page 52

INGREDIENTS

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

ABOUT

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 a wide range of markets outside the bakery sector, including producers of alcoholic beverages and bioethanol.

ABF Ingredients
ABF Ingredients is a specialty ingredients world leader, offering innovative, differentiated and value-added products 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. Its 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 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.

STRATEGY

Our Ingredients businesses are dedicated to understanding the key requirements of their customers and end-use markets in order to ensure a relevant supply of ingredients, systems, products and technology that create value. We 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. The businesses 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

£1,503m

2019: £1,505m

Actual fx: In line
Constant fx: Up 3%

Adjusted operating profit

£147m

2019: £136m

Actual fx: Up 8%
Constant fx: Up 10%

Adjusted operating profit margin

9.8%

2019: 9.0%
2019 IFRS 16 pro forma: 9.1%

Return on average capital employed

16.7%

2019: 15.9%
2019 IFRS 16 pro forma: 15.5%

Revenues for Ingredients were 3% ahead of last year at constant currency. Strong growth by AB Mauri was partially offset by a decline in ABF Ingredients to deliver an increase in adjusted operating profit of 10%. The results of AB Mauri in Argentina continue to be reported under IAS 29 *Financial Reporting in Hyperinflationary Economies*, which reduced operating profit by £5m (2019 – £6m).

Underlying trading in AB Mauri was very strong driven by its operations in China and North America. Non-dairy toppings are better suited to hot climates and sales in Brazil grew strongly following our major investment in a new production line. Margins were strongly ahead, with procurement savings and operational efficiencies adding to the benefits seen from the increased sales volumes. The integration of our Italmill bakery ingredients business, acquired last year, is now complete. Investment is underway in a new, expanded, bakery ingredients technology centre in the Netherlands.

As a result of COVID-19 restrictions AB Mauri experienced a rapid and substantial increase in retail demand for yeast and bakery ingredients. Sales were also strong to industrial bakery customers but demand from foodservice and craft bakers was lower. Capacity was increased at a number of production sites and included the installation of additional retail yeast packing lines in China and the recruitment of additional staff in North America.

Our yeast and bakery ingredients joint venture in China with Wilmar International received regulatory approval in April and the new business commenced operations just after the year end. Construction of the major new yeast plant in northern China is well underway.

ABF Ingredients revenues were in line with last year. Our enzymes business delivered very strong sales growth and record profit with strong sales in feed, food and technical applications. Ohly, our yeast extracts business, made excellent progress in the food and health markets especially in meat-free alternatives. These revenue gains were offset by the effects of increased competition on our speciality lipids business, ABITEC, and reduced demand for our protein crisp inclusions in nutritional bars.

We continue to invest in our research and development capability. We are commissioning a new enzymes pilot plant alongside our enzymes facility in Finland which will enhance our ability to bring innovation to market. This year ABITEC acquired Larodan, a manufacturer and international marketer of high purity research-grade lipids. Larodan will enhance ABITEC's scientific capabilities and expand its functional lipid offerings to the pharmaceutical, nutritional and industrial markets.

Ingredients in action

FRESH NEWS FOR THE BAKING INDUSTRY

Bread is fresh for longer thanks to an innovative new product from our industrial biotech ingredients business, AB Enzymes.

VERON® MAXIMA is a new enzyme solution for bread, launched at the Paris Food Ingredients Europe exhibition in December 2019. It delivers long-lasting softness, resilience (or 'springiness') and flexibility in bread and is aimed at the global bread improver sector which makes bakery ingredients and mixes.

As well as keeping the signs of staleness at bay, VERON® MAXIMA maintains the nature of dough and the look and texture of the loaf. Uniquely, it remains effective at a high dosage, meaning that customers can scale up their own production while maintaining impact.

3 years

Three years in development, VERON® MAXIMA goes further than a previous trailblazing AB Enzymes' baking preparation, VERON® MAC.

By keeping bread fresher for longer, it is hoped that VERON® MAXIMA will also help reduce food waste.

The benefits of VERON® MAXIMA give AB Enzymes' customers the opportunity to differentiate themselves by developing innovative new products for the baking industry.

By keeping bread fresher for longer, it is hoped that VERON® MAXIMA will also help reduce food waste.

Three years in development, VERON® MAXIMA goes further than a previous trailblazing AB Enzymes' baking preparation, VERON® MAC. The creation of the second-generation product again illustrates AB Enzymes' understanding of the art and science of developing enzymes to meet customers' technical and functional needs and aspirations.

EVERYTHING BAKERS WANT

AB Mauri's Chantilly whipped cream offers innovative solutions for bakers in Brazil and is creating new export opportunities for the business.

In its domestic market of Brazil, where a tropical climate and a developing transport infrastructure can make carriage or storage of conventional cream difficult, non-dairy Chantilly offers great value as the ultra heat treated (UHT) range stays fresh for up to nine months.

State-of-the-art production
Chantilly is thriving in Brazil following AB Mauri's investment in a state-of-the-art facility in São Paulo state, which began operating in April 2019. Before investing in the Pederneiras facility, AB Mauri had used a third-party manufacturer to make its vegetable-based cream.

The new purpose-built facility, with its cutting-edge process and product technology, is acting as a springboard for the business's ambitions in non-dairy cream. In November 2019, it expanded beyond Chantilly's artisanal and home baker market to launch a culinary cream for the foodservice industry.

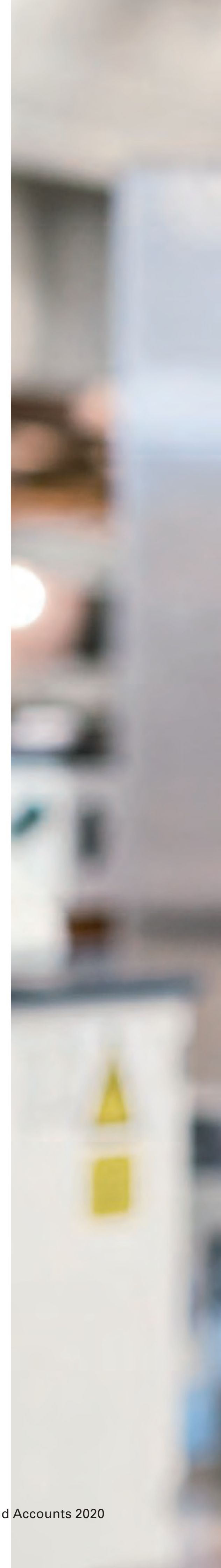
This was followed in October 2020 with a syrup to keep cakes moist, again for artisanal and home bakers. This range expansion and the greater capacity, quality and profile the new factory allows, has helped AB Mauri to significantly grow sales of non-dairy cream in Brazil over the past year.

AB Mauri's success also reflects its trusted reputation, built over almost 90 years in Brazil, and its strong distribution capabilities. It also points to the rise of a growing middle class and the increasing sophistication of the country's foodservice industry. The business is now looking to use Brazil as a platform from which to export non-dairy cream to other parts of the Americas.

90 years

AB Mauri's success also reflects its trusted reputation, built over almost 90 years in Brazil.

This range expansion and the greater capacity, quality and profile the new facility allows, has helped AB Mauri to significantly grow sales of non-dairy cream in Brazil over the past year.



MEET PAN

Pan Sukpaladisai
Regional Planning Manager,
AB Mauri, North America

The pressure was on: we needed to keep our yeast supply chains moving for all of our customers, including ACH, part of the wider Associated British Foods group and one of our major customers. I am very proud of how our team worked together to deliver this record volume for our customers.

Meeting the demands of a new generation of home bakers

The spike in consumer demand for yeast during the early days of the COVID-19 pandemic set a new challenge for AB Mauri, which manufactures yeast for the north American market.

With more time at home, a rediscovery of baking and making bread took off across the nation driving increased demand for yeast compared with pre-COVID-19 levels.

Pan was tasked with streamlining the supply chain workstreams which go into producing and delivering yeast to the consumer. This meant coordinating supply and demand capabilities across AB Mauri and ACH, which is also one of its main customers.

Pan worked with AB Mauri's supply chain team to increase its production capabilities, coordinate the complex packaging supply requirements for the consumer yeast product and provide ACH's team with an optimised product mix to keep its yeast supply chain moving. By August the facility had increased its production capacity for consumer yeast products by 150%.

Everyone's INVITED

22m

Primark has a strong digital presence with over 22 million followers across its social media channels.

→
Read more about how Primark stayed in touch with customers during lockdown on page 64

RETAIL

Primark is one of the largest fashion retailers in Europe and the largest by volume in the UK.

ABOUT

Primark is one of the largest fashion retailers in Europe, offering something for everyone with a wide selection of products available across womenswear, menswear, kidswear, home, health & beauty and gifting.

It has 384 stores and employs over 70,000 people in the Republic of Ireland, UK, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France, Italy, Slovenia, Poland and the US.

It was founded in 1969 in the Republic of Ireland where it continues to trade as Penneys.

Primark entered its 13th market in August 2020, opening its first store in Warsaw, Poland and has announced plans to open in two new markets: Prague, Czechia in 2020 and Bratislava, Slovakia in 2022.

Primark's success is driven by the Product team's ability to identify and deliver key seasonal trends, along with the quality of our essentials ranges, which make up more than half of the products we sell.

Licensed merchandise continues to drive significant growth and partnerships with brands such as Disney and Netflix have established Primark as a market leader in the space. Primark's own brand PS... Beauty range is one of the fastest growing categories and the team continues to innovate and introduce new products every season.

STRATEGY

Primark's business model is based on doing things differently, allowing us to keep prices low and offer the best value on the high street. We achieve this by doing very little advertising, focusing instead on marketing through our website and popular social media channels and store windows; only selling our products in-store; and making savings on things like simple packaging. Primark delivers a vision of making high-quality affordable fashion accessible to everyone, put simply: Amazing Fashion, Amazing Prices. Although a bricks and mortar retailer, we have a strong digital presence and a high level of customer engagement with over 22 million followers across our social media channels.

Primark is committed to a better future for people and the planet and has been working hard for many years to make sure our products are made with care and respect for workers' rights and the environment. Standards in our supply chain are monitored by our Ethical Trade and Environmental Sustainability team, comprising over 120 specialists based in key sourcing countries. The team visit and review every supplier factory at least once a year to make sure the standards in the factories that make Primark products are aligned with our Code of Conduct.

We have also been making good progress on our journey to becoming a more sustainable company, with our Sustainable Cotton Programme, ranges from recycled materials and more recently, launching an in-store recycling scheme in the UK.

AMAZING FASHION, AMAZING PRICES

Revenue

£5,895m

2019: £7,792m

Actual fx: Down 24%
Constant fx: Down 24%

Adjusted operating profit

£362m

2019: £913m
2019 IFRS 16 pro forma: £969m

Actual fx: Down 60%
Constant fx: Down 62%

Adjusted operating profit margin

6.1%

2019: 11.7%
2019 IFRS 16 pro forma: 12.4%

Return on average capital employed

5.6%

2019: 28.9%
2019 IFRS 16 pro forma: 15.2%

New store openings:
UK: Manchester Trafford Centre
Belgium: Mons
France: Lens Noyelles, Strasbourg, Paris Belle Épine, Paris Plaisir
Germany: Berlin Gropius Passagen, Kiel
Italy: Milan Fiordaliso
Poland: Warsaw Galeria Mlociny
Spain: Barcelona Plaza de Cataluña, Seville Lagoh

The full year decline in Primark's revenue was mainly seen in the third quarter driven by the total loss of sales for the period in which our stores were closed as a result of government restrictions to contain the spread of COVID-19. Sales in the first half of the year were 4% ahead of last year at constant currency driven by the increase in retail selling space and supported by a substantial improvement in like-for-like sales in continental Europe, with a key driver being a notable improvement in Germany. All stores reopened by mid-July and since reopening we have traded strongly with a low level of markdown. We estimate that sales were some £2bn lower as a result of COVID-19. The reduction in operating profit from £969m to £362m was driven by the loss of contribution arising from the sales shortfall, partially offset by the benefits of mitigating actions taken to reduce operating costs.

Compared to pre-COVID-19, sales performance since reopening has in aggregate been reassuring and encouraging. By store the performance has varied, reflecting the current circumstances of our customers including increased home working, less commuting and much less tourism. Sales at our stores in retail parks are higher than a year ago. Shopping centre and regional high street stores are broadly in line with last year and large destination city centre stores, which are heavily reliant on tourism and commuters, have seen a significant decline in footfall. Our 16 largest destination city centre stores contributed 13% of total sales pre-COVID-19 and 8% of sales after reopening.

In the UK sales since reopening to the year end were 12% lower on a like-for-like basis and if the four large UK destination city centre stores are excluded the decline was 6%. UK market data for consumer spend on clothing, footwear and accessories in all channels shows that in the 12 weeks to 20 September our value market share was in line with our pre-COVID-19 share achieved a year ago. This reflects the overwhelmingly positive response we saw from customers on reopening of stores and the ongoing relevance and appeal of our value-for-money offering.

Sales in Europe since reopening to the year end were 17% lower on a like-for-like basis, reflecting increased public health restrictions, particularly in Spain and Portugal. If we excluded our 11 European destination city centre stores, like-for-like sales were down 14%.

Sales in the US since reopening to the year end were 10% lower on a like-for-like basis. However, excluding our Boston destination city centre store, they were level last year. Importantly, our US business was breakeven for the total period while the stores were open.

Since the year end governments have been increasing the restrictions on the movement of people and trading activity on both a regional and national basis. At the time of writing, all our stores in the Republic of Ireland, France, Belgium, Wales, Catalonia in Spain and Slovenia are temporarily closed, which represent 19% of our total retail selling space. The announced period of closure varies by market. The UK Government has announced its intention to close non-essential shops in England for one month from 5 November to 2 December. Assuming that this will be passed by the UK Parliament on 4 November, 57% of our total selling space will be temporarily closed from 5 November. Our estimated loss of sales for these stores, including the stores in England, for the announced periods of closure is £375m.

At the half year we recognised an exceptional charge of £284m as a provision against the carrying value of Primark's inventory. At the time of the announcement, the dates for the reopening of Primark stores were not known and over half of the provision related to stock which was on display in the closed stores. The earlier reopening of stores and especially the subsequent successful spring/summer trading avoided the need for this inventory provision and it was released as an exceptional item. The value of spring/summer inventory that has been carried into next year is only some £150m. Furthermore, Primark's working capital at the year end was lower than last year. A markdown provision of £22m was created at the year end for inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic.

Total customer spend on clothing, footwear and accessories in all sales channels in our markets has been impacted by COVID-19. It has been recovering from a low point in April and the rate accelerated with the reopening of stores. Since reopening we have seen increasing numbers of transactions driven by footfall. The average basket size was initially significantly higher than last year, reflecting some pent-up demand, and while this outperformance has reduced it remains higher than a year ago.

We are prioritising the health and wellbeing of everyone in store and have received positive feedback from our customers about the safety measures in place and the welcoming store environment. We are working constantly to optimise the implementation of in-store safety measures and have recently installed additional dividers at the tills in the majority of our stores which has enabled more tills to be opened and has reduced queues.

While the stores were closed a number of actions were taken to reduce the overhead costs of the business and mitigate the monthly cash outflow. This included access to UK and European government job retention schemes designed to provide income for those employees no longer working and to preserve their continued employment. We entered into discussions with other counterparties, in particular landlords to seek help with lease payments. Relief from UK and Republic of Ireland business rates for the calendar year from April to March was very welcome. As we began to mitigate costs we prioritised more funds to support our suppliers. We established a wages fund to ensure workers were paid as soon as possible for goods in production for Primark in the most vulnerable countries and £23m has been paid out.

We have now committed to pay for all garments both finished and in production as well as any fabric costs incurred for Primark prior to the stores closing. Orders worth £1.25bn have been placed with our suppliers for goods for the autumn/winter season.

In July Primark announced the rollout of its UK recycling programme, inviting customers to donate their pre-loved clothes, textiles, footwear and bags from any brand. Collection boxes are now available in all Primark's UK stores and donated items will be reused, recycled or repurposed, with nothing going to landfill. Profit from the scheme will go to UNICEF, Primark's global charity partner, in support of its education programmes for vulnerable children around the world.

The store opening programme for the second half of this year was delayed by restrictions on access to complete the fit-out of our stores. Nevertheless, we successfully opened a total of 12 new stores during the year, bringing the total estate to 384 stores trading from 16.2m sq ft of space compared to 15.6m sq ft a year ago. We closed our small store in Rathfarnham in Ireland and relocated three other stores. We have seen the benefits from the successful downsizing of three stores in the US and three stores in Germany; we have plans for several more stores in these markets and have recognised a one-time non-cash asset write-down as an exceptional charge of £116m. Of the new stores opened in the final quarter, initial trading in our new stores in Plaisir and Belle Épine in Paris, France and Warsaw, Poland has been very strong.

We still expect to add a net 0.7m sq ft of additional selling space in the next financial year even though COVID-19 has slowed the development of our store opening programme. This will comprise 14 new stores with four in Spain; three in the US; two in Italy; and one each in the UK, France, Netherlands and Poland as well as our first store in Czechia, Prague.

We were excited by the customer response to the opening this October of two new stores in American Dream, New Jersey, and Sawgrass Mills, Florida. We are focused on building the future pipeline of stores and France, Italy, Spain, eastern Europe and the US provide the most significant prospects for further growth.

	Year ended 12 September 2020		Year ended 14 September 2019	
	# of stores	**sq ft 000**	# of stores	sq ft 000
UK	**190**	**7,534**	189	7,449
Spain	**48**	**1,988**	46	1,850
Germany	**32**	**1,841**	30	1,830
Republic of Ireland	**36**	**1,076**	37	1,085
France	**19**	**996**	15	776
Netherlands	**20**	**971**	20	971
US	**9**	**470**	9	470
Belgium	**8**	**403**	7	372
Portugal	**10**	**383**	10	348
Austria	**5**	**242**	5	242
Italy	**5**	**257**	4	203
Slovenia	**1**	**46**	1	46
Poland	**1**	**40**	–	–
Total	**384**	**16,247**	373	15,642

SAFETY FIRST AT THE HEART OF REOPENING STORES

Primark's windows were emblazoned with welcome back messaging including: 'We Missed You'; 'Take Care, Stay Safe'; and 'To Our Life-Saving Health Workers There Are No Words – Just Love'.

In March this year all of Primark's 375 stores across 12 operating markets were closed due to COVID-19. This unprecedented event did not stop us working behind the scenes, to manage the store closure impacts and to get the business ready for when we would be able to reopen and welcome customers back to our stores.

From April when governments began to confirm reopening dates, a huge effort was already underway to ensure extensive measures would be in place to help safeguard employees and customers when our doors reopened. Those measures closely followed all safety advice from local governments, treating such guidance as the minimum standard. They included strict social distancing measures, personal protection for colleagues and customers and increased in-store cleaning.

All of Primark's stores reopened over May, June and July including the opening of 153 stores in one day, on 15 June, in England.

At the time, Primark CEO, Paul Marchant, said: "As we reopen Primark, nothing matters more than the health and wellbeing of our colleagues and customers. We have looked closely at what has been working across the retail industry and we are following all safety advice from governments to help keep people safe in our stores".

375
STORES

In March this year, all of Primark's 375 stores were closed in 12 days due to COVID-19 restrictions.

In addition to messaging throughout our stores, Primark's windows and social media sites were emblazoned with welcome back messaging including: 'We Missed You'; 'Take Care, Stay Safe'; and 'To Our Life-Saving Health Workers There Are No Words – Just Love'.

Primark also sent thank you messages out to store colleagues acknowledging the commitment, strength and resilience they had shown through such challenging times.

Paul Marchant said: "I am particularly proud of the incredible volunteer effort by hundreds of our employees across the globe who coordinated and delivered care packs with over 450,000 everyday items to support frontline workers and patients during the pandemic."

The care we took in both the measures we put in place and in communicating them to our customers, media and local, regional and national government representatives were welcomed by the communities in which we trade. A number of stakeholders, including Mayors and MPs, visited new and reopened stores, commending the Primark team on the extensive safety measures put in place.

In addition, the UK government invited Primark to showcase our safety measures through a video and written case study to promote the safe reopening of retail stores around the country.

On reopening days there were queues outside most of our stores and customers were excited to see us back trading again. We welcomed them back with our appealing, value-for-money offering in a safe store environment and were pleased to receive positive feedback about our safety measures.

153
STORES IN ENGLAND

All of our stores reopened over May, June and July including the reopening of 153 stores in one day, on 15 June, in England.

HEALTH & SAFETY

Primark closely followed all safety advice from governments, treating this guidance as the minimum standard. Our rigorous health and safety measures were put in place ahead of reopening, are still in place at the time of publication of this report and include:

- A strict social distancing protocol limiting the number of customers allowed in store at any one time to allow for the appropriate distance in between customers and employees. It also includes clear signage and floor decals, dedicated employees and additional security staff, to guide customers through the store in a way that limits contact with others.
- Personal protection for employees and customers including hand sanitiser is made available at the entrance and on the shop floor and back of house for employee and customer use. Face masks and gloves are also made available to employees and we encourage or mandate their use in line with all local government guidelines. Perspex screens have also been installed at the tills.
- Increased in-store cleaning: the frequency and rigour of store cleaning has increased, particularly around high frequency touchpoints such as tills, escalators, lifts and employee areas in back of house.

MEET ANN

Ann Sunil
Ethical Trade Project Manager,
India, Primark

> *The webinars we held during COVID-19 have provided factories with much needed information and have broken misconceptions about COVID-19. Not only did we provide hygiene and safety protocols that might otherwise not have been offered, the programme was able to offer mental health support to anyone who needed it during this challenging time.*

Supporting workers in the Indian supply chain

Primark partners with St John's Medical College in Bangalore on its My Space project, designed to support factories in establishing counselling services for workers. The programme aims to reduce stigma around mental health and improve the working environment in the supplier factories in south India that manufacture products for Primark.

In the wake of COVID-19 Ann realised we needed to refocus the existing My Space programme to provide accurate information about COVID-19 for counsellors to relay to factory workers, particularly given the stigma and myths that were circulating about the virus.

Primark's team in India worked with St John's to create new webinars, delivered by trained medical staff from St John's, and to expand the programme to reach more factories and mills in our supply chain, recognising the urgent need for information to support the health of workers.

The work was all done remotely, providing a valuable opportunity for Primark to stay engaged virtually with management and workers from over 130 factories and mills in our supply chain as well as offer professional medical support to those who might otherwise have not been able to access it.

The programme is ongoing at the time of publication and is expected to expand into Pakistan to reach many more factories and mills before the end of the calendar year.

THANK YOU

TO OUR HEALTH WORKERS

While all of our Primark stores were closed due to COVID-19, many of our teams around the world diverted their efforts to putting together donation packs. This work was in direct response to calls from health authorities, including the NHS in the UK, and charities, for urgent supplies of everyday items.

Primark care packs were given to busy health workers and others working back-to-back shifts or who were staying away from home, often to protect their families from infection. They were also offered to patients who had no means of getting a fresh change of clothes or toiletries from home.

It was Primark's way of saying thank you to the healthcare heroes working tirelessly in the fight against COVID-19.

450,000

Primark donated 450,000 products, such as underwear, leggings, t-shirts, footwear, toiletries and towels to hospitals, charities and health workers.

140,000

The business also distributed 140,000 Easter food products to homeless shelters, hospitals and charities.

MAKING THE CUSTOMERS' WORLD A BETTER PLACE

'Primark's brand new Wellness collection is here and we want everything'. This one magazine headline sums up the enthusiastic response of customers and the wider media to the stunning new range.

All products in the landmark Primark Wellness collection are made from organic cotton, recyclable fibres or other sustainable materials, or encourage shoppers to put their personal wellbeing first through comfort, rest and reflection.

The 80-piece range is part of the Primark Cares initiative, the business's commitment to being a responsible retailer and to offering more products that use more environmentally-friendly materials. Its launch reflects growing consumer demand for more sustainable products and a rising interest in personal wellbeing activity, from mindfulness to pampering.

80 pieces

There are 80 pieces in the new Wellness range which is part of the Primark Cares initiative.

What makes Primark Wellness products special? They:

- are made using more sustainable materials, whether it's cotton from Primark's Sustainable Cotton Programme (where farmers learn about more sustainable farming methods that use less water and chemicals) or wood and paper from sustainable wood sources; or
- use organic cotton, which has been produced without chemical pesticides or fertilisers, to reduce its environmental impact; or
- incorporate recycled materials, to give new life to used materials that would otherwise be thrown away, such as recycled polyester, which comes from plastic waste such as bottles and other single-use containers; or
- support customers' personal wellbeing, by encouraging comfort, rest, relaxation and reflection.

Amazing Primark prices

The Wellness collection marks the first time that Primark has combined womenswear, menswear, homeware and skincare under one range.

Constituent pieces range from 100% sustainable cotton robes and aromatic candles, to printed performance crop tops and matching leggings made from recycled materials. Most items were created specifically for the collection and, as ever, are for sale at amazing Primark prices starting from £2.

Primark Wellness was launched internationally at the end of February across more than 200 Primark stores. The full collection was displayed in a dedicated purpose-built 'Primark Wellness' hub in 43 of our stores across the UK, Europe and the US. Reflecting the collection's guiding principles, the hubs use Forest Stewardship Council-certified wooden fixtures, recyclable display panels and cardboard hangers.

Pop-up preview

London shoppers got an exclusive preview of the collection when it debuted two weeks before the official launch, in Primark's first-ever pop-up store. The 1,500 sq ft store was located at BOXPARK, in east London's fashionable Shoreditch, where pop-up shopping and dining units are made entirely from refitted shipping containers.

Customer demand for Primark Wellness products has been extremely high, particularly in the UK and Germany. At BOXPARK itself, Primark extended the pop-up opening period from two to five weeks to meet the strong interest.

Primark is now considering extending the collection by introducing more products from different categories.

CONNECTING BRAND, INFLUENCERS AND CUSTOMERS

Primark's strategy of partnering with local social media influencers with strong social media profiles is central to its aspiration to connect with customers and be seen as a good friend in all markets. This is best summed up by its core brand message, 'Everyone's invited'.

By teaming up with well-known people in countries across the international footprint, Primark is able to tap into and focus on what matters to each local community while also creating a global community using some influencers with wider appeal.

Virtual Celebrity Pyjama Party
One of the ways Primark deployed its local influencer strategy during lockdown was via a virtual pyjama party that went global in May.

Stars from Primark's collective of celebrity and fashion and beauty influencers hosted a pyjama party, using the brand's Instagram, Facebook and TikTok social media channels.

Alice Liveing, fitness guru and a Primark brand ambassador, got the party started with an Instagram tutorial on making 'really tasty, slightly healthy' banana and date flapjacks. This was followed by: beauty blogger Sophie Hannah Richardson revealing the secrets for a sparkling party look; Love Island winner – and another Primark brand ambassador – Kem Cetinay (and his mum), opening up the family kitchen for a cocktail class; JLS singer Aston Merrygold taking families through a TikTok dance routine; and reality TV personality Ashley James spinning a live DJ set. Children were included, with early-evening Disney singalongs and stories keeping the little ones entertained.

Millions of people, many sharing pictures of themselves in their favourite Primark nightwear, viewed the videos and images posted by the 33 participating influencers. Almost 600,000 followers viewed contributions from Spanish fashion blogger Dulceida, who partnered with Primark on a stunning clothing range in late 2019.

Stars from Primark's collective of celebrity, fashion and beauty influencers hosted a virtual pyjama party in May using the brand's social media channels and connecting customers around the world to our brand.

Primark has around 500 influencers as part of its local influencer strategy across all its markets. They have differing profiles: some have tens of thousands of followers, others millions. Each is contracted to post an agreed number of images and videos, to complement Primark marketing themes and product launches.

Many post far more than required due to the mutual goodwill developed through our relationship with them. Themes range from global – 'wellness' is a network-wide focus every new year – to local – the US team marks 4th of July and Labor Day public holidays.

Local empathy
Local knowledge and showing empathy was particularly important when different countries were at varying stages in the pandemic. During this time, as illustrated by the Primark pyjama party, the brand changed its influencers' focus from product lines to staying at home and keeping well and safe. It also showcased a new type of celebrity, shining the spotlight on everyday heroes such as teachers.

When our stores reopened from early May, we continued to encourage our influencers to explore wellness themes relevant to each country. For example, with people finally able to get out of the house, Irish influencers followed a 'Love Ireland' theme, posting images of themselves in Primark outfits in their favourite national location.

Primark's supportive community ethos is underlined by the personalities of its influencers. It does not team up with out-of-reach superstars; the collective is made up of people who are genuine Primark customers, to whom customers can relate.

600,000 FOLLOWERS

Almost 600,000 followers viewed Spanish influencer Dulceida during Primark's virtual pyjama party.

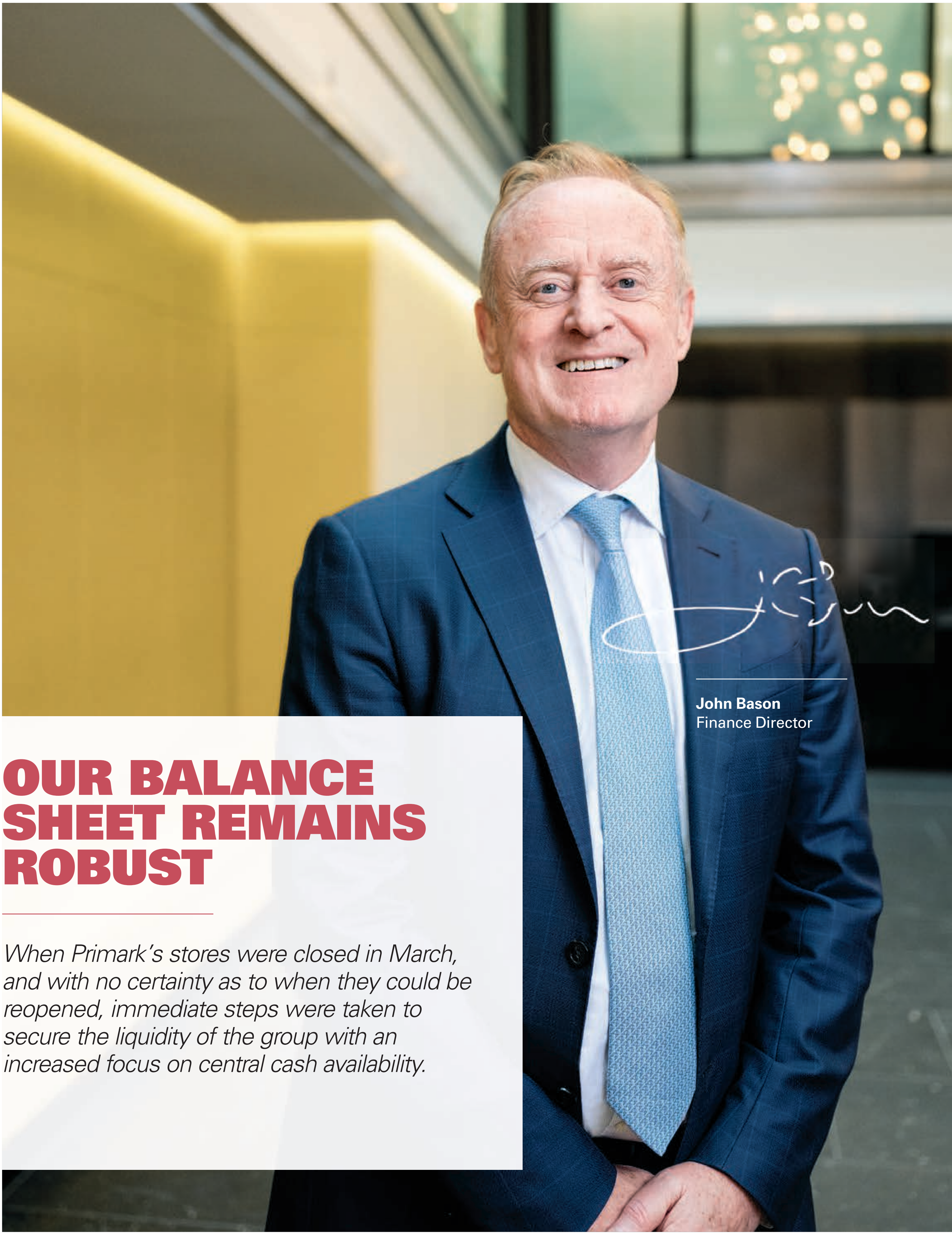
FOCUS ON: STACEY SOLOMON X PRIMARK KIDS

Stacey Solomon's collection for Primark kids sold out in the Republic of Ireland and UK in just three weeks.

Stacey Solomon X Primark Kids
Having collaborated with Primark on two very successful womenswear collections, in July 2020 Stacey launched her inaugural kidswear collection. In her characteristically down-to-earth style, she confided to her 3.7 million Instagram followers what this meant to her:

"I never thought in a million years a shop like Primark, somewhere I've shopped in since I was a little girl, would ever ask me to work with them. When they asked me if I'd like to design and create a children's range with them I could have burst… I've put my heart and soul into it, down to every last detail and I really hope you love it as much as I loved making it... I love you all to the moon and back." #iworkwithprimark

Stacey's aspiration that the customers love the product "as much as I loved making it", was realised emphatically. The collection sold out in both the Republic of Ireland and UK, where she is particularly well-known, within three weeks. It also sold strongly in Primark's other markets, where it was promoted by local influencers. Many agreed with Lauren, one of Stacey's 1.5 million Twitter followers, who tweeted on launch day: "I have never been so in love with a range like this @StaceySolomon".



John Bason
Finance Director

OUR BALANCE SHEET REMAINS ROBUST

When Primark's stores were closed in March, and with no certainty as to when they could be reopened, immediate steps were taken to secure the liquidity of the group with an increased focus on central cash availability.

Group performance
Group revenue reduced by 12% on a reported basis to £13.9bn mainly as a result of the total loss of sales for the period in which Primark's stores were closed. On a reported basis adjusted operating profit was 28% lower at £1,024m. These financial statements adopt IFRS 16 *Leases* in the current year and under our chosen transition option the prior year has not been restated. Adjusted operating profit for last year on an IFRS 16 proforma basis would have been £61m higher than the £1,421m reported. Comparative adjusted operating profit for the business segments on an IFRS 16 pro forma basis is set out in the operating review. 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 from statutory operating profit.

The income statement this year includes exceptional items of £156m. £116m relates to a one-time non-cash asset write-down of Primark stores. At the half year we recognised an exceptional charge of £284m as a provision against the carrying value of Primark's inventory. At the time of the announcement, the dates for the reopening of Primark stores were not known and over half of the provision related to stock which was on display in the closed stores. The earlier reopening of the stores and subsequent successful trading of the spring/summer inventory avoided the need for this provision. At the year end a markdown provision of £22m was created for inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic. In the light of the beet volumes contracted by Azucarera in the second crop year after reducing the beet price, we have revised our financial forecasts for this business. This has resulted in a one-time non-cash write-off of goodwill of £23m as an exceptional charge. Insurance proceeds of £30m more than offset the £25m costs of the closure of our Speedibake Wakefield factory following the fire in February.

On an unadjusted basis, statutory operating profit was 37% lower than last year at £810m.

The strengthening of sterling this year against some of our trading currencies has resulted in a loss on translation of £16m. The transactional effect in the movement in the US dollar on Primark's largely dollar-denominated purchases was negligible. Next year, based on the current US dollar exchange rates, we expect a positive effect on the Primark margin in our second half.

Net finance expense increased this year due to the inclusion of lease interest of £84m following the adoption of IFRS 16. The reduction in other financial income reflected the reduction in the surplus of our defined benefit pension schemes between the 2018 and 2019 year ends. Losses on the disposal of three small businesses amounted to £14m and profits less losses on sale of non-current assets were £18m.

Statutory profit before tax on a reported basis was down 42% to £686m. On our adjusted basis profit before tax was down by 35% to £914m.

Acquisitions and disposals
AB World Foods acquired the Al'Fez brand, AB Agri acquired small farm data and technology businesses in Denmark and Northern Ireland and Ingredients acquired Larodan for a combined consideration of £19m.

Following regulatory approval the AB Mauri joint venture in China with Wilmar International commenced operations just after the year end.

The three small businesses disposed of this year were the Australian cake business, Jasol New Zealand and a small bakery in Wuhan, China. Total proceeds were £2m.

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 £263m at an effective rate of 28.8% (2019 – 21.5%). The increase in the effective tax rate was a result of the much lower Primark profits in the UK and Ireland. Based on corporation tax rates at the time of writing, we expect next year's effective tax rate to decrease from this level to some 25% as Primark's profitability is expected to recover.

The total tax charge for the year of £221m benefited from a credit of £42m (2019 – £25m) 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 £455m and the weighted average number of shares in issue during the year, which is used to calculate earnings per share, was 790 million (2019 – 790 million). Given the decline in operating profits and exceptional items charged this year, earnings per ordinary share were 48% lower than last year at 57.6p. Adjusted earnings per share, which provides a more consistent measure of trading performance, declined by 41% from 137.5p to 81.1p.

No interim dividend was paid this year. As stated in the Chairman's statement the dividend consideration was based on Primark's trading experience this year and, at the time of writing, the increasing restrictions in a number of Primark's major markets. On balance the Board has elected not to propose a final dividend for the year.

Balance sheet

The adoption of IFRS 16 *Leases* at 15 September 2019 resulted in the recognition of £3.2bn of non-current right-of-use assets and £3.7bn of lease liabilities, together with a reduction in other liabilities of £0.3bn. The following commentary reflects balance sheet movements in the year excluding those arising on the adoption of IFRS 16.

Non-current assets of £10.9bn were £0.5bn lower than last year. This was driven by a decrease in the investment in property, plant and equipment, right-of-use assets and intangible assets with depreciation, amortisation and impairments higher than capital expenditure and acquisitions made in the year. There was also a reduction in employee benefits assets as the surplus in the UK defined benefit pension scheme declined.

Working capital at the year end was lower than last year. Working capital in the food businesses was much lower than last year as a result of strong demand for our products in the second half. Primark's working capital was also lower with goods for the autumn/winter season ordered later than usual this year.

Net cash at the year end excluding lease liabilities was £1.56bn compared with net cash at the end of last year of £936m reflecting the strong operating cash flow in the year. Net debt including lease liabilities was £2.1bn compared with £2.7bn at the date of transition to IFRS 16.

The group's net assets are broadly unchanged at £9.4bn. 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 9.5% compared with 13.8% last year on an IFRS pro forma basis, driven by the reduction in Primark's profit.

Cash flow

Net cash inflow from operating activities increased from £1,509m to £1,753m. The removal of some £300m of lease payments from this measure, following the adoption of IFRS 16, and the reduction in working capital described above more than offset the lower operating profit. Capital expenditure reduced by £115m compared to the prior year with some projects delayed by the restrictions arising from COVID-19. £30m was realised from the sale of property, plant and equipment. The net cash outlay on acquisitions and disposals was £14m.

Tax paid in the year amounted to £254m (2019 – £269m). The impact this year of the acceleration of the phasing of quarterly payments to HMRC, such that all of the tax due for a year is payable in that year, was more than offset by the lower tax payable as a result of the reduction in the group's profit.

Financing and liquidity

The financing of the group is managed by a central treasury department.

When Primark's stores were closed in March, and with no certainty as to when they could be reopened, management action was taken immediately to secure the liquidity of the group and the focus on central cash availability was increased. The group's Revolving Credit Facility (RCF) was drawn down to protect against the possibility of a banking liquidity crisis. We considered it to be prudent to seek a waiver for the RCF covenant test for February 2021 from our relationship banks and this was confirmed on 8 April. Access was granted to the Bank of England Covid Corporate Financing Facility (CCFF) on 15 April. Our Interim Results Announcement on 21 April confirmed the adoption of the going concern basis in preparing the condensed consolidated interim financial statements.

In August a two-year extension to the RCF was agreed, extending its maturity to July 2023, and the facility was repaid in full. The waiver of the RCF covenant test for February 2021 remains in place. The CCFF was not utilised during the financial year. We do not intend to use it and as a result will allow our eligibility to lapse on 31 December 2020.

At the year end, the group had total committed borrowing facilities amounting to £1.5bn, comprising £1.1bn provided under the RCF, £0.3bn of US private placement notes, maturing between 2021 and 2024, and £0.1bn of local committed facilities in Africa. This excludes the CCFF which we expect to expire shortly. At the year end, £0.4bn was drawn down under the private placement notes and local committed facilities. The group also had access to £0.5bn of uncommitted credit lines under which £0.1bn was drawn at the year end.

Cash and cash equivalents totalled £2.0bn at the year end of which available central cash on hand amounted to £1.6bn.

Pensions

The group's defined benefit pension schemes were in deficit by £66m at the year end compared with a surplus last year of £33m. The UK scheme, which accounts for 91% of the group's gross pension assets, was in surplus by £94m (2019 – £220m). The reduction in the UK pension surplus was driven by the decline in long-term UK bond yields during the year. These yields increased the value of the defined benefit obligations for accounting purposes and so decreased the UK pension surplus. The pension deficit for the group will result in an interest expense next year compared to an interest income this year, and this is reported in other financial income.

These accounts reflect the triennial valuation of the UK scheme undertaken at 5 April 2017 which determined a surplus of £176m on a funding basis. As a result there was no requirement to agree a recovery plan with the trustees. The latest triennial valuation at 5 April 2020 has not yet been finalised but we expect this valuation to lead to a moderate deficit.

The charge for the year for the group's defined contribution schemes, which was equal to the contributions made, amounted to £79m (2019 – £80m). This compared with the cash contribution to the defined benefit schemes of £37m (2019 – £50m).

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.

The following accounting standards were adopted during the year and had no significant impact on the group other than IFRS 16 *Leases*:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*
- *Annual Improvements to IFRS 2015-2017*

The group adopted IFRS 16 *Leases* this year, which is the most significant accounting change for our group for many years. It has affected 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 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 transitioned using the 'modified retrospective' approach, under which the comparative period is not restated. The effects of adopting IFRS 16 at our transition date of 15 September 2019 and the 2019 results on an IFRS 16 pro forma basis are set out in the Significant accounting policies.

We recognised lease liabilities at transition of £3.7bn and right-of-use assets of £3.2bn.

The pro forma effect on group and Primark metrics for 2019 was as follows:

- The balance sheet at transition would have shown net debt including lease liabilities of £2.7bn.
- Adjusted operating profit in 2019 would have increased by £61m, with rental expense replaced by depreciation of right-of-use assets.
- Interest expense in 2019 would have increased by £82m of interest charged on lease liabilities.
- Adjusted profit before tax in 2019 would have reduced by £21m.
- Adjusted earnings per share would have reduced by 2% from 137.5p to 135.4p.
- Primark's margin would have increased from 11.7% to 12.4% 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.

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.

John Bason
Finance Director

LIVING OUR VALUES

2020 has been a challenging year, but one thing has remained constant: our commitment to operating responsibly and ethically at all times.

Our purpose is to make millions of people's lives better through the provision of safe, nutritious food and affordable clothing. Being a purpose-driven business has helped us to navigate 2020, a year like no other.

We achieve our purpose through living and breathing our values every day, in how we responded to COVID-19, particularly the way we have treated people, in our principal business decisions and how we continue to work for the safe and long-term success of our group.

Our values are:

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.

During the latter months of COVID-19, we consulted with employees about their safe return to offices and other workplaces, providing a range of assistance including emotional and mental health support.

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.

This has been demonstrated this year by the group's leadership team taking salary reductions and the Board's decision, following the reopening of the majority of Primark's stores, not to take advantage of the UK Government's Job Retention Bonus scheme.

At the start of the COVID-19 outbreak earlier this year, we established a group level steering committee to respond in a timely manner to the dynamic changes, including reimagining working environments for many of our people.

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.

Regular engagement with our stakeholders is fundamental to the success of the group and this year contributed to many of our businesses being able to respond to unprecedented demand for their products.

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.

At the start of the COVID-19 outbreak earlier this year, we established a group level steering committee to respond in a timely manner to the dynamic changes, including reimagining working environments for many of our people. We also proudly witnessed many individuals going above and beyond expectations to meet the changing demands on their businesses and colleagues.

MAKING A POSITIVE CONTRIBUTION

Our businesses aim to make a lasting contribution to society. Our values help us to articulate the long-term benefits we can deliver for our people, suppliers, neighbours, customers and the environment.

INVESTING IN OUR PEOPLE

We prioritise the safety and wellbeing of our employees, contractors and others we work with and aim to cultivate diverse and inclusive workplaces where everyone is respected, supported and empowered to fulfil their potential.

133,425
people employed

£46m
invested in safety risk management

53%
of our total workforce and 37% of our senior management are women

1.3m
hours of training benefitting our employees

see page 73

SUPPORTING SOCIETY AND STRENGTHENING OUR SUPPLY CHAINS

We respect the rights of people within and beyond our operations, develop products that help to support healthy lifestyles and aim to strengthen the communities where our suppliers live and work.

6,952
hours of social and environmental training delivered to Primark suppliers

475,000
people's lives improved by the Twinings Sourced with Care programmes

2.6m
meals provided through surplus food donations to foodbanks

3,234
audits of supplier factories by Primark

see page 78

RESPECTING THE ENVIRONMENT

We work hard to reduce greenhouse gas emissions, use natural resources efficiently and promote ecosystems, biodiversity and animal health and welfare.

55%
of the energy we used came from renewables

84%
of the waste we generated was sent for recycling, recovery or other beneficial use

25%
of total water abstracted was reused before being returned to the environment

£25m
invested in environmental risk management

see page 80

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 73 to 77);
- Information on diversity (pages 75 to 76);
- Information on our Anti-bribery and Corruption Policy (page 76–77);
- Information on our Whistleblowing Policy (page 77);
- Information on our approach to human rights (page 78–79) ;
- Information on social matters (pages 78–79); and
- Information on our Environment Policy and management (pages 80–83).

Further information on these can also be found in our 2020 Responsibility Update and ESG Appendix.

Further responsibility and ESG disclosures
Our Responsibility Report has evolved into two separate documents. In 2020, we are publishing a Responsibility Update, Living our Values which showcases our values in action and demonstrates how our businesses make a lasting positive contribution by investing in our people; supporting society and supply chains; and respecting the environment.

The second is our Environmental, Social and Governance (ESG) Appendix. In recognition of increasing expectations to disclose the non-financial performance of our material impacts, we report here more data to complement the Responsibility Update.

We engaged EY to provide limited assurance over the reliability of 17 environment and safety key performance indicators (KPIs) for the year ended 31 July 2020. These are marked with the symbol Δ in these pages.

There is also further information on our website at www.abf.co.uk/responsibility, which includes our current and previous responsibility reports, our Modern Slavery and Human Trafficking Statement and our climate, water and deforestation reports to the CDP.

Engaging with stakeholders
Our scale, employing 133,000 people and with operations in 53 countries across the world means, that our activities matter to, or have an impact on, many people. Our reporting is intended to provide our wide range of stakeholders with an overview of our approach to addressing social and environmental issues while also creating a positive impact where we can.

Detailed information about our approach to stakeholder engagement and specific activities this year can be found on pages 14–19 of this Annual Report.

At a group level we engage with a variety of stakeholder groups including shareholders, governments, media and investors through a range of methods. As part of daily business activities and through structured processes, our businesses routinely engage with customers, suppliers, regulators and industry bodies.

In addition to the detail on pages 14–17, below are some examples of how we disclose information, collaborate with others and engage with others through our responsibility focus areas.

People
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 fourth survey.

Society and supply chains
We engage with a number of organisations on issues around human rights, including the Corporate Human Rights Benchmark (CHRB), Ethical Trading Initiative (ETI) and KnowTheChain. We collaborate with suppliers, using SEDEX and AIM-PROGRESS.

Examples of business level engagement with NGOs on local and subject-specific matters are shared in our 2020 Responsibility Update, Living our Values.

Environment
Through CDP reporting, we share our annual performance in mitigating the risks associated with climate change, water and deforestation, as well as maximising the business opportunities and necessary operational adaptations. Our reports are publicly available at www.cdp.net and on our website.

Individuals and teams from the group and our businesses engage with industry bodies and others in our sectors on a range of environmental issues. These include energy, sustainable agriculture, climate change and water stewardship. This is in recognition that when we collaborate with others, we can all learn from each other and drive greater positive impact.

ESG assessments
Investor interest in ESG-related issues has grown in recent years as more emphasis is placed on valuing the long-term worth of companies; their contribution to society and the environment; and on robust and transparent governance. We receive multiple requests throughout the year to complete or check assessments and surveys and we engage with individual investors and investor-related ESG research agencies to provide the information. Despite publishing accurate and assured non-financial data, we find that we are regularly explaining that our business model does not fit neatly into a survey or standard question set. Our ESG Appendix is published in response to these increasing requests for performance data and is an example of the growing importance of disclosing a wide range of publicly available ESG data.

INVESTING IN OUR PEOPLE

Our people are our greatest asset and central to our success. The importance we place on their safety and wellbeing has never been more of a priority than during the difficult circumstances we have all faced this year.

We also aim to cultivate a diverse and inclusive working environment where everyone's dignity is respected, there are equal opportunities to progress and people are empowered to fulfil their potential.

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 and non-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 employees' and customers' safety.

Workforce engagement
Employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their division's and Associated British Foods' strategic objectives.

Richard Reid, our designated non-executive director for engagement with the workforce, has undertaken various meetings with employees over the last year in this role. Knowledge from these meetings and a formalised process for communicating information about the business level workforce are shared with the Board to keep them informed of employee issues including engagement and communication, learning and development and safety and wellbeing.

Effectively sharing information is key to our success here, whether via leadership updates and regular internal communications (such as emails, intranet or magazines), or employee fora and town hall meetings where a two-way conversation is encouraged.

We measure employee engagement through surveys which allow us to focus resources on the areas where improvement would derive the most benefit for our people.

Our engagement programmes also include social events, opportunities to celebrate our business successes and employee recognition schemes. Corporate responsibility programmes play an important role too, by creating opportunities for our people to volunteer or raise money for good causes which are important to them.

Across the group, we invest in apprenticeships, graduate schemes, bursaries and training for young people, as well as extensive development programmes for promising talent, managers and leaders. These programmes are bespoke, ensuring they meet the specific needs of each business division.

Health, safety and wellbeing

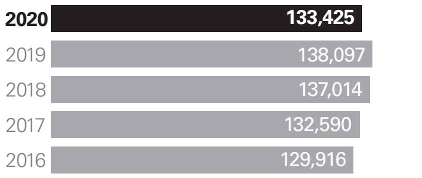
Loss of life in our operations is entirely unacceptable and we are deeply saddened to report three work-related fatalities this year Δ; an Azucarera contractor maintaining heavy machinery in Spain and two employees working for Illovo in Tanzania and Mozambique. One employee was killed by a falling wall as a result of a vehicle reversing and the other was a security guard fatally attacked by a criminal gang.

We investigate all fatalities and serious accidents thoroughly, share the learnings with all our operations and take remedial action where possible to minimise the risk of such events recurring.

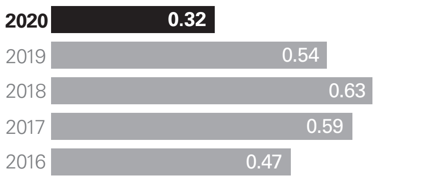
Our approach to safety

Keeping our people safe, including contractors and those affected by our activities, is a priority and the leadership team in every business division is responsible for creating a culture that promotes safe working practices. All our businesses must comply with Associated British Foods' Health and Safety (H&S) Policy (www.abf.co.uk/responsibility) and to operate within the safety framework provided by the group,

Number of employees



Reportable injury rate (%)



within which business division and site level safety performance is monitored, audited and remedial actions are tracked.

We have many safety programmes in place to encourage our people to take responsibility for keeping themselves and their colleagues safe. In particular this year we started a pilot programme to monitor the road safety of vehicles which transport our goods. We deliver a wide range of training on high-risk areas to ensure our people are equipped with robust safety knowledge.

Our businesses invest in programmes to drive continuous improvements in standards for health and safety. This year, over £46m was invested in safety risk management, of which 31% was dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. Investments this year included 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.

Our safety performance this year

This year, 74% of our factories and retail operations achieved a year's operation without any Reportable Injuries and 66% did not have an employee Lost Time Injury (LTI).

In 2020, LTIs among employees decreased by 40% from 682 last year to 406 Δ. This equates to an LTI rate of 0.42% of our people experiencing an injury that resulted in time off work. For contractors, the LTI rate for the year was 0.18%. There was also a 47% decrease in Reportable Injuries to employees from 573 in 2019 to 306 this year. This equates to 0.32% of our employees having a Reportable Injury.

A healthy workforce extends beyond managing health and safety risks. Our holistic approach includes programmes to help employees, and in many cases their families, to maintain and improve their 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.

We have a collection of programmes that support staff health and wellbeing such as the nomination of a team of wellbeing champions in Jordans Dorset Ryvita and the creation of an employee steering group for wellbeing activities in Silver Spoon. As a demonstration of respecting everyone's dignity and personal circumstances, we have provided additional emotional and mental health support to help our employees manage the impacts of COVID-19.

Health and safety fines

During 2020, we received 3 safety fines Δ with a cost of £212,000 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.

For more details on health, safety and wellbeing across our businesses, see our 2020 Responsibility Update and ESG Appendix for performance data.

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 pages 33–36 of our 2020 Responsibility Update.

Promoting diversity and inclusion
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. We also work to break down any bias or barriers, both real and perceived. Over the course of the year ahead, our non-executive director with responsibility for workforce engagement will spend more time to build the picture of how each of our division's businesses approach diversity and inclusion.

For details on diversity as it relates to the Board of the Company, please see below.

Gender metrics
We are delighted that we employ 70,397 women across the world which demonstrates the success of our various initiatives to achieve no barrier to talent. Among the most senior levels, reporting to the divisional CEOs and group functional directors, temporary changes in structure as some of our businesses reshape has reduced our balance, as reported to Hampton Alexander, from 24% to 23% women. We remain committed to increasing the diversity and inclusion within our workforce at all levels and will do this in a way that is right for our decentralised structure. Given our decentralised business model, many policies that foster diversity in the workforce are developed and delivered locally. We also operate initiatives across Associated British Foods to promote diversity and these include:

- 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 700 members.
- Diversity and Inclusion Task Force, through which representatives from across the business share knowledge and embed best practice into our core processes and unconscious bias training for managers.
- Two-Way Mentoring programme, through which more than 260 individuals from 16 countries have received mentorship and support from a senior leader in a business different to their own.

Examples from across the group:

- To strengthen the culture of inclusivity, Westmill created community connections and prioritised recruitment partners with experience in attracting talent from under-represented race and ethnicity groups. As a result, 55% of new starters and a third of internal promotions belong to such communities.
- AB Mauri's global team is also piloting a toolkit that includes a 'gender decoder' tool that recruitment staff can use when writing job profiles and adverts and includes guidance on unconscious bias and structured interview methods.
- Our UK Grocery businesses are removing barriers for talent who identify as having a disability and have created a lesbian, gay, bisexual, transgender and intersex (LGBTI) network, worked on intergenerational conflict and established a Leading Inclusively programme which has been attended by 117 managers and leaders to date.

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	16,491	11,038	5,453	33%	803	498	305	38%
Sugar	32,390	27,134	5,256	16%	277	188	89	32%
Agriculture	2,565	1,823	742	29%	346	201	145	42%
Ingredients	6,665	4,966	1,699	25%	592	422	170	29%
Retail	74,813	17,763	57,050	76%	282	131	151	54%
Central	501	304	197	39%	58	40	18	31%
Total	**133,425**	**63,028**	**70,397**	**53%**	**2,358**	**1,480**	**878**	**37%**

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

See page 23 of ESG Appendix for definitions.

Gender Pay Gap reporting excluding Primark (2019 figures are restated below)

At the mean, women's hourly pay rate is

4.0%

higher than that of men
(2019: 1.7% higher)

At the median, women's hourly pay rate is

8.8%

higher than that of men
(2019: 8.1% higher)

At the mean, women's bonus pay rate is

50.3%

lower than that of men
(2019: 48.1% lower)

At the median, women's bonus pay rate is

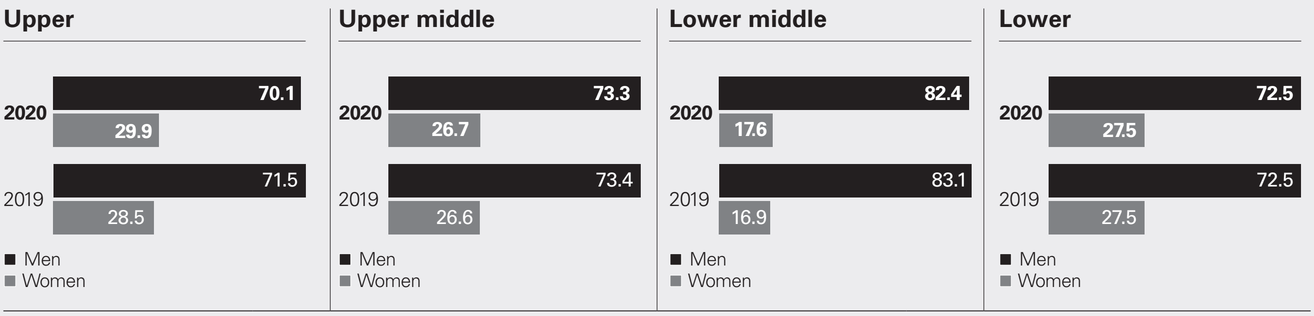
79.4%

higher than that of men
(2019: 45.9% higher)

36.3% **of men received a bonus**
(2019: 39.7%)

47.5% **of women received a bonus**
(2019: 55.8%)

Proportion of men and women in each pay quartile



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.

Gender pay gap reporting
Overall, the gender balance of Associated British Foods is fairly equal, with women making up 53% of our total global workforce. More than half of our workforce is employed outside Great Britain and is therefore not included in this Gender Pay analysis.

Consistent with previous years, we have chosen voluntarily to report on the gender pay gap that relates to our employee population in Great Britain as of 5 April 2020. However, this year's data excludes Primark employees because the majority were on the Government job retention scheme or had taken voluntary pay cuts at the reporting date. As a result, we have also restated the 2019 numbers on the same basis for comparison.

In the main, the pay gap remains similar to comparable data last year. The pay gap remains in favour of women as we have a significant majority of male employees who work in a manufacturing environment. These employees are being compared to women who, on average, work in middle management. In our foods businesses in Great Britain there are more women in the upper quartile than any other, however they remain underrepresented at the most senior level of the organisation.

Gender balance at the top of the group changes slowly because we have a stable senior team. The greater presence of senior men in this bonus pool has a distorting effect on the mean bonus gap.

The median bonus, as in previous years, demonstrates a gap in favour of women. This difference reflects the varying composition of bonuses across our different businesses and the methodology of the gender pay calculation which includes long service awards and recognition awards. These awards are typically smaller in scale, given to men in the manufacturing environment and are being compared to bonuses for women in middle management.

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.

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 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 Associated British Foods' 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.

When a report is received, senior executives are alerted so that an investigation can begin, and appropriate action taken. The independent and confidential nature of this customised hotline helps to build trust among those who wish to speak up. In all cases, allegations are assessed, and appropriate action taken where required.

In the year to June 2020, 136 notifications were received, of which:

- 28% were resolved, with outcomes ranging from reviews of processes and support for individual employees to, where necessary, termination of contracts;
- 40% were unsubstantiated and required no action; and
- 32% remain under investigation.

A copy of Associated British Foods' Whistleblowing Policy is available at: www.abf.co.uk/responsibility.

53%

Overall, the gender balance of Associated British Foods is fairly equal, with women making up 53% of our total global workforce.

SUPPORTING SOCIETY AND STRENGTHENING OUR SUPPLY CHAINS

Our scale and range of operations mean that our positive contribution to society is sizeable. This is amplified through our work with our supply chains and we seek to build a positive impression in the communities where we operate.

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

We are committed to respecting the rights of everyone within our own operations, as well as in our supply chains and beyond. This commitment is more important than ever during times of crisis and we have strived to minimise the impact of any human rights risks associated with COVID-19.

The pandemic had a devastating impact on the garment industry, and the effect on the retail supply chain has been significant. All Primark stores had to close over the course of just 12 days in March due to the COVID-19 outbreak. With no idea of how long stores might be closed, tough decisions were needed – including the need to cancel orders.

Nonetheless, the Company took considerable steps to support and protect all the workers in its suppliers' factories. By July, Primark had pledged to pay suppliers in full for all outstanding finished garments, and to use or pay for any finished fabric liabilities. This followed earlier commitments to pay, in full, for orders that were in production, finished and planned for handover by 17 April. Since stores reopened, by July Primark had placed around £1.2bn of orders. More details on these series of decisions can be found on page 18 of this Annual Report.

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 the group, human rights matters are primarily managed by our individual businesses. This also enables the most salient human rights matters 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.

Every year we have sought to deepen our efforts to tackle modern slavery and respect human rights. We are proud of the work that has gone on within and across our businesses. However, the last 12 months have seen unprecedented human impact as a result of COVID-19. This impact has touched the lives of our employees, customers and workers in the supply chain and we recognise that in a time of crisis the most vulnerable are the ones impacted greatest. We continue to work to ensure we have effective policy, due diligence and remediation, and know that moving forward our focus remains on the health and safety of all and doing all we can to support our suppliers.

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. Twinings' new Human Rights Policy).

Due diligence: Twinings and AB Agri have 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 grievance mechanisms. To educate workers across ten supplier factories in China about their rights and responsibilities, Primark uses the Company IQ mobile phone application. Developed by Microbenefits, the app offers access to digital wage slips, a confidential grievance mechanism and 'micro-training' modules on a range of topics.

For further information see pages 24–32 of our 2020 Responsibility Update with additional information provided in the ESG Appendix.

Raising awareness and training

In collaboration with Twinings, last year we developed an online ethical training module 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, since it was launched, has been completed by 972 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, 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. AB Sugar is currently exploring how the video can be shared with its suppliers. So far, over 75% of those employees invited have completed the training; and
- this year Jordans Dorset Ryvita completed its first face-to-face supplier training on modern slavery, which focused on traders for our Turkish commodities.

Priority commodities

Our businesses purchase a significant variety of different commodities to make the food we manufacture and clothing items we sell. Our businesses have identified a range of priority commodities 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 three countries with training in sustainable farming methods, helping them to increase productivity and improve their livelihoods; see page 28 of the 2020 Responsibility Update for further information.

Promoting consumer health and wellness

As a business 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 2020 Responsibility Update page 33) and AB Sugar's Making Sense of Sugar campaign (see 2020 Responsibility Update page 33).

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 2020 Responsibility Update page 34).

Reformulation: As a business operating in a range of food and ingredient sectors, we have an opportunity to reformulate finished products and ingredients. Allied Bakeries is a business offering reformulated products fortified with folic acid and more vitamins and minerals (see 2020 Responsibility Update page 34).

RESPECTING THE ENVIRONMENT

We are committed to seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

The world's resources are under increasing pressure from the growing demands of a rising population, and climate change is exacerbating these challenges. These are global challenges that we cannot solve by ourselves, but we are working hard at a group and business level to minimise our environmental impacts through a range of activities designed to reduce greenhouse gas (GHG) emissions, use energy, water and other natural resources more efficiently and promote biodiversity.

Acting on climate change

Increasingly unpredictable and severe weather events are already affecting food security, consumption habits and the availability of natural resources. We are also seeing and experiencing the impact of climate change on our operations and supply chain through prolonged droughts, heatwaves and flooding, leading to the need to adapt our operations and consider the medium- to long-term strategic impact on our businesses. We use the Task Force on Climate-related Financial Disclosure's (TCFD) recommendations to inform our approach on climate action and related disclosures.

Climate change is integrated into our group risk assessments. The Board is accountable for effective risk management and therefore has accountability for the management of climate related risks. As part of our strategic review of climate change, we commissioned the UK's Met Office to model the potential impact of a 2°C to 4°C temperature rise on our operations and major supply chains. This will help inform our plans for addressing climate risks.

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 well below 2°C above pre-industrial levels by the end of the century. Working collaboratively with others in our sectors, industry bodies and suppliers, our businesses are investing in ways to withstand the challenges of the changing climate while taking advantage of new opportunities including product innovation and increased efficiencies.

1,600 FEWER JOURNEYS

Primark is extending its UK fleet with 15 new Longer Semi Trailers (LSTs), which will each carry twice the stock as existing trailers. It is estimated that this will result in 1,600 fewer journeys every year.

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:

- Primark is extending its UK fleet with 15 new Longer Semi Trailers (LSTs), which will each carry twice the stock as existing trailers. It is estimated that this will result in 1,600 fewer journeys every year, 728,000 fewer kilometres travelled and the elimination of 680 CO_2e tonnes from Primark's UK transport operations;
- AB Sugar has made a commitment to reduce its end-to-end supply chain carbon footprint by 30% by 2030; and
- AB Agri is investing in environmental life cycle assessment to support better choices on both sourcing of feed ingredients and for livestock diet design.

For more information on our approach to managing climate risk and our alignment to the TCFD disclosure recommendation, see our climate change section in our 2020 Responsibility Update.

We publish further detail on our climate-related governance and risk management through CDP's report at www.cdp.net.

Our total emissions (Scopes 1, 2 and 3) have reduced again this year. For 2020, we report a 9% reduction compared with last year to 4.32 million tonnes CO_2e Δ. Some of this reduction can be attributed to reduced operations during the COVID-19 pandemic but we also recognise that our businesses continuously seek to reduce their emissions. This is demonstrated by the downward trend in our emissions since 2017.

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 2020, our total energy use was 22,877 GWh Δ, a 3% decrease on 2019. Our sugar businesses consumed 82% of the group's total, or 18,883 GWh Δ.

In 2020, we exported 1,002 GWh Δ of energy, which is a 3% increase compared with last year. Some of our sites generate energy on-site using renewable sources of fuel and when this is surplus to their needs, they export it to the national grid or other organisations.

For over ten years we have reported our group and, more recently, business division energy use and greenhouse gas emissions. In compliance with UK reporting requirements, we provide on page 82 our UK energy and greenhouse emissions data. The principal energy efficiency measures to reduce our carbon emissions include the introduction of energy monitoring systems, conversions to LED lighting and upgrades to production machinery such as compressors and boilers to improve efficiencies. For more examples of energy efficiency actions, see our 2020 Responsibility Update on pages 43-46 and more granular performance data included in our ESG Appendix.

Our greenhouse gas emissions

	2020 emissions (000 tCO_2e)	2019 emissions (000 tCO_2e)
Scope 1 – combustion of fuel and operation of facilities	2,719	3,087
Scope 1 – generation and use of renewables	78	75
Scope 1 Total	**2,797** Δ	3,162
Scope 2 – emissions from purchased energy (location method)	758 Δ	831
Scope 2 – emissions from purchased energy (market method)	783	Reporting for the first year in 2020
Scope 3 – indirect emissions from use of third-party transport	764 Δ	753
Total emissions (Scopes 1, 2 location method and 3)	**4,319** Δ	4,746
Out of scope emissions	**4,045**	3,962
Emission intensity (Scopes 1 and 2)	**256 tonnes per £1m of revenue**	252 tonnes per £1m of revenue

We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy (BEIS) in July 2020, 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 market-based emissions have been calculated in accordance with the GHG Protocol Scope 2 Guidance on procured renewable energy. For 2019 and 2020, Scope 3 emissions are our third-party transport emissions only.

Streamlined energy and carbon reporting

		2020 Δ	2019
Energy consumed (GWh)[1]	UK operations	**5,292**	5,826
	Outside UK operations	**17,585**	17,740
Scope 1 and 2 emissions (000 tCO_2e)[2]	UK operations	**1,299**	1,532
	Outside UK operations	**2,256**	2,461

1. To calculate our energy in GWh, we divide the total KWh by a million.
2. We report our scope 2 location method emissions for 2019 and 2020.

We report our energy consumed and associated GHG emissions from electricity and fuel, Scopes 1 and 2 location method using WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations. See our ESG Appendix, pages 21-22 for more detail.

We also continuously explore how we can better use renewable energy. Of the total energy we used this year, 55% or 12,462 GWh Δ, came from renewable sources. This equates to a 2% 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 Africa. We also use on-site anaerobic digesters (AD) to generate biogas from 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 generated and used on our sites.

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 2020, we abstracted 847 million m^3 Δ of water which is a 4% decrease compared with last year. Of the total water abstracted, 25% was reused within our operations before finally returning it to the watercourse.

This year we are also reporting the amount of waste water from our operations; 115 million m^3 of waste water was treated and then returned 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. Ultimately, we are seeking to work towards helping to progress towards a circular economy.

This year we generated 585,000 tonnes Δ which is a 7% decrease compared with last year. Of the total generated, 84% was recycled, recovered or had a beneficial use. Through the continuous improvement on waste segregation, working with local suppliers to manage increasing quantities of waste which can be recycled and reducing the inputs to create waste in the first place, we are demonstrating strong performance in waste management.

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 2020, Associated British Foods used 245,000 tonnes Δ of packaging. This is a 5% decrease compared with last year.

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. However, 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.

In line with The UK Plastics Pact, signed in 2018, our UK Grocery businesses have committed to eliminate problematic and unnecessary single-use plastic packaging such as PVC and polystyrene, have 100% recyclable, reusable or compostable plastic packaging, and achieve 30% average recycled content in their packaging. Furthermore, Primark has removed 175 million units of plastic from its business, including single-use labels and hangers.

Environmental compliance
This year we received 16 environmental fines Δ with a cost of £51,000 Δ which fell within the reporting year. These were largely due to the treatment of waste water, management of on-site waste, and dust. The sites have addressed the issues and liaised with the local authorities and regulators to ensure standards are met.

Biodiversity and healthy ecosystems
From healthy soil to habitats that encourage pollination, biodiversity is vital to our operations. We work to protect ecosystem services to enhance production on the farms from which we source our key ingredients. To read more about our work to support biodiversity, see pages 53–57 in our 2020 Responsibility Update.

Furthermore, as a diverse group of businesses, we buy a wide range of commodities and support farming and harvesting practices that protect and respect the environment. Where we identify potential risks to the world around us – such as deforestation – we seek to mitigate or remediate them. See our CDP Deforestation report for more detail at www.abf.co.uk/responsibility.

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

2020 Δ	4,319
2019	4,746
2018	4,966
2017	5,057
2016	5,258

Waste generated (000 tonnes) and proportion recycled

2020	84%	585 Δ
2019	80%	632
2018	82%	770
2017	83%	1,000
2016	79%	1,000

Energy consumption (GWh) and proportion from renewable sources

2020	55%	22,877 Δ
2019	52%	23,600
2018	50%	23,200
2017	49%	23,300
2016	49%	22,800

Quantity of packaging used (000 tonnes)

2020 Δ	245
2019	259
2018	256
2017	243
2016	248

Water abstracted (million m³)

2020 Δ	847
2019	880
2018	837
2017	811
2016	800

As a diverse group of businesses, we buy a wide range of commodities, and support farming and harvesting practices that protect and respect the environment.

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. These disciplines have proved to be effective as we navigate our way through the challenges resulting from the COVID-19 pandemic.

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, including emerging, risks facing the group and ensuring they are successfully managed. The Board undertakes a robust annual assessment of the principal risks, including emerging risks, 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.

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 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 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, which include emerging risks, and mitigating activities identified through the risk assessment exercise. 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 2018 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.

COVID-19
The COVID-19 pandemic continues to be a worldwide crisis and the situation is still uncertain. Authorities continue to impose restrictions on both a regional and local basis. Since March, when the pandemic became apparent, the Audit Committee, on behalf of the Board have provided ongoing support and challenge of management's processes and internal controls.

Whilst our businesses had not planned for a global pandemic, under extraordinary circumstances, our teams reacted with immediacy to adapt to the evolving situation. Effective communication both within the divisions and across the group has ensured that appropriate actions were taken to enable our food businesses to operate fully, providing safe, nutritious, affordable food to customers and meeting increased demand. Primark stores were able to reopen safely as restrictions were lifted.

Many lessons have been learnt over the past six months and we have developed a flexible set of possible responses that are ready to be deployed in the event of further restrictions being imposed, whether that be locally, regionally or globally.

When this virus was first identified, our initial concern was the supply of goods for Primark and, to a lesser extent, some food ingredients sourced from China. As the pandemic progressed, the most significant challenges we faced were maintaining the production of essential food and food ingredients and the cash flow impact arising from the closure of all Primark stores between March and their reopening, in line with local market regulations, throughout May, June and July. We took immediate steps to ensure adequate cash liquidity.

Whilst Primark stores were closed, we paid for in full, and took delivery of, very large amounts of completed stock. A fund was established to ensure everyone in a vulnerable country who worked on a Primark garment, whether completed or not, is paid for that work. In July, we committed to pay our garment suppliers in full for all outstanding finished garments and to utilise or pay for any finished fabric liabilities.

A significant number of our employees continue to work from home. To support seamless homeworking we modified our IT infrastructure, increased bandwidth with our telecommunications partners and deployed collaboration tools.

The extent of remote working has increased the risk of users falling victim to phishing attacks because users rely primarily on email communication. We have an ongoing phishing testing regime and there is regular communication with all users to remind them of the risks.

We have raised the level of monitoring for phishing attempts and other security threats. In addition, we have issued security awareness advice on secure home-working best practices.

We have also increased disciplines to ensure that user devices are regularly patched and upgraded to reflect changing IT security threats. Revised guidance for laptop and desktop patching has been issued to all businesses to ensure that systems are up to date and secure.

EU Exit

Following the UK's referendum decision to leave the EU in 2016, the group established an EU Exit Steering Committee which consists of a small dedicated team. This steering committee worked with all the businesses to assess the risks and opportunities arising from the UK's decision to leave the EU. Primark operates largely discrete supply chains for its stores in each of the UK, US and Europe and the group's food production is largely aligned with the end market. As a result, there is relatively little group cross-border trading between the UK and the EU. We therefore quickly concluded that the overall impact of EU exit on the group was relatively minor.

We recognise that the outcome of the negotiations between the UK and the EU remains uncertain. While we would prefer a negotiated free trade agreement, we are prepared for any of the potential outcomes.

Over the last year the group and the individual businesses have taken steps to mitigate possible impacts of the transitional period ending without a negotiated free trade agreement. The key risks identified, and the actions taken are as follows:

- **Imports to the UK** – The UK government has indicated the tariffs on imports in the absence of a free trade agreement. 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** – The businesses that could be impacted by this have reviewed their exposure and where appropriate have plans to increase 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 emerging risks, 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 2020 Responsibility Update. 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 2019' describe our experience and activity over the last year.

External risks

MOVEMENT IN EXCHANGE RATES

Increased

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.

Mitigation
Our businesses constantly review their currency exposures and their hedging instruments and, where necessary, ensure appropriate actions are taken to manage the impact of currency movements.

Board-approved policies require businesses to hedge all transactional currency exposures and long-term supply or purchase contracts which are denominated in a foreign currency, 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 26 to the financial statements for more information).

Changes since 2019
Sterling strengthened against some of our major trading currencies this year, resulting in a loss on translation of £16m.

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.

There has been a greater level of volatility in sterling exchange rates against our major trading currencies during the financial year, caused in part by the impact of the COVID-19 pandemic and by continued EU exit uncertainty.

FLUCTUATIONS IN COMMODITY AND ENERGY PRICES

Unchanged

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.

Mitigation
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.

Changes since 2019
EU sugar prices increased this year with a reduction in stocks following lower EU sugar production in the last two campaigns.

The price of UK wheat, a key commodity for our UK bakery business, increased during the course of the year as a result of the impact of poor weather conditions on yields.

OPERATING IN GLOBAL MARKETS

Increased

Context and potential impact
Associated British Foods operates in 53 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.

Mitigation
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.

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.

Changes since 2019
Increased uncertainty as a result of the COVID-19 pandemic. Authorities continue to impose restrictions on both a regional and local basis.

High inflation continued to adversely affect our yeast and bakery ingredients business based in Argentina.

12 new Primark stores were opened in the year including our first store in Poland.

HEALTH AND NUTRITION

Increased

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.

Mitigation

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.

Pre-COVID-19, our specialist sports-nutrition brand HIGH5 typically supports over 600 events which promote exercise across the UK each year, helping over 500,000 people improve their fitness levels. These events are predominantly promoted online, and HIGH5 assist in this promotion by highlighting events on their website and via social media in conjunction with nutritional advice.

We invest in research with experts to improve our understanding of the science and societal trends to support policy approach.

Changes since 2019

Our Sugar and Grocery businesses have invested in communication linked to nutrition and health during the year to help consumers make informed choices about their diet.

Notable examples include the Ryvita 'Fibre Fit' campaign in the UK, through which the business engaged over 50,000 consumers in relation to the benefit of a high fibre diet.

In addition, our sugar business's campaign 'Making Sense of Sugar' has developed into a global platform. The aim is to provide factual information based on robust science to help inform and educate people about sugar and the role it can play as part of a healthy balanced diet.

Our businesses continue to assess the nutritional content of their products on an ongoing basis; and engage with stakeholders, directly and through trade associations, in relation to changes to the regulatory and consumer operating environment.

Operational risks

WORKPLACE HEALTH AND SAFETY

Increased

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.

Mitigation

Safety continues to be one of our main priorities. 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.

Changes since 2019

The safety performance of the group is reported in the 2020 Responsibility Update at www.abf.co.uk/responsibility.

In 2020 there were three work-related fatalities in our Spanish and southern Africa operations. Our businesses have conducted thorough root cause analyses and are implementing safety changes.

This year, over £46m was invested in safety risk management, of which £14m was dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. At the start of the COVID-19 outbreak, we established a group level steering committee to respond in a timely manner to the dynamic changes including reimagining working environments for many of our people.

Other investments this year included measures to improve 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.

Principal risks and uncertainties
continued

Operational risks continued

PRODUCT SAFETY AND QUALITY

Unchanged

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.

Mitigation
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.

All businesses set clear expectations of suppliers, with relevant third-party certification or other assessment a condition of doing business. Product testing and trials are undertaken as required and where bespoke raw materials are purchased, the businesses will work closely with the supplier to ensure quality parameters are suitably specified and understood.

All Primark's products are tested to, and must meet, stringent product safety specifications in line with and in some instances above legal requirements. Primark continues to drive and improve product performance for quality and compliance purposes through its product approval processes, in country inspections centres and management of its supply base.

Changes since 2019
We did not have any major product recalls.

Businesses have continued to define and refine KPIs in this area.

.

BREACHES OF IT AND INFORMATION SECURITY

Increased

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.

Mitigation
In parallel to building IT roadmaps and developing our technology systems, we invest in developing the IT skills and capabilities of our people across our businesses.

We continue to actively monitor and mitigate any cyber-threats and suspicious IT activity.

We have established group IT security policies, technologies and processes, 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 and are adequately tested.

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.

Changes since 2019
The significant increase in employees working at home, as a result of COVID-19 restrictions, has had an impact on the delivery of IT services and increased our IT and information security risks.

There is an ongoing programme of investment in both technology and people to enhance the longevity of our IT environments.

To support seamless homeworking we have modified our IT infrastructure, increased bandwidth with our telecommunications partners and deployed collaboration tools.

The extent of remote working has increased the risk of users falling victim to phishing attacks because users rely primarily on email communication. We have an ongoing phishing testing regime and there is regular communication with all users to remind them of the risks. We have raised the level of monitoring for phishing attempts and other security threats. In addition, we have issued security awareness advice on secure home-working best practices.

Improved cyber-security capability is in place within the group and across the businesses allowing us to more effectively detect, respond and recover from disruptive cyber-threats.

We have also increased disciplines to ensure that user devices are regularly patched and upgraded to reflect changing IT security threats. Revised guidance for laptop and desktop patching has been issued to all businesses to ensure that systems are up to date and secure.

During the year we have reviewed and tested IT disaster recovery plans across the businesses.

OUR USE OF NATURAL RESOURCES AND MANAGING OUR ENVIRONMENTAL IMPACT

Increased

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 abstraction and management, waste management 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 our 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, local communities and result in additional costs.

Mitigation
We continuously seek ways to improve the efficiency of our operations, use technologies and techniques to reduce our use of natural resources.

Our businesses are considering the most effective ways of mitigating the impacts of physical and transitional risks associated with climate change, such as changes in extreme weather conditions, and the introduction of carbon price schemes.

We recognise the importance of integrating climate related risks and opportunities into our business decisions to help with the transition to a low carbon economy.

We consider climate related risks and opportunities in our business decisions and recognise the importance of adopting the recommendations of the Task Force on Climate-related Financial Disclosures to help with the zero-carbon transition/to help with the smooth transition to a low carbon economy.

Our packaging and product design teams are working together to address the use of single-use plastics and scale up solutions to the environmental impacts of our packaging.

Our businesses aim to be a good neighbour within their local communities. Aspects of this include the monitoring and management of noise, particle and odour pollution and community engagement. Where possible, our businesses implement circular economy principles to use more from less and continuously seek ways to recycle or reuse all waste materials.

AB Sugar and AB Agri have set commitments for their own operations and supply chain to improve sustainability performance.

Primark is committed to the Sustainable Clothing Action Plan (SCAP), an industry-wide commitment made by brands, retailers, charities and recycling organisations to collectively reduce the carbon, water and waste impacts of the clothing industry.

Through Primark's Sustainable Cotton Programme it has committed to train 160,000 farmers in more sustainable farming methods by 2022. This commitment goes some way towards helping Primark fulfil its long-term ambition of ensuring all the cotton used in its supply chain is sustainably sourced.

Changes since 2019
The environmental performance of the group is reported in the 2020 Responsibility Update at www.abf.co.uk/responsibility.

This year we are reporting our Scope 2 market-based emissions for the first time. Scope 2 covers indirect emissions from the generation of purchased electricity, heat and steam. This is a key consideration when making energy purchasing decisions.

We continued to focus on improving our energy efficiency and optimising the use of renewable energy sources with 55% of energy used this year coming from renewables, mainly from a biomass-based fuel.

As a group we continue to develop our packaging to align with future environmental packaging legislation in local geographies whilst balancing the needs to minimise food waste and carbon emissions with food safety and integrity at the core. Our UK Grocery Group are signatories to the Courtauld Commitment 2025 as well as the UK Plastics PACT, a collaborative initiative delivered by WRAP, that will create a circular economy for plastics.

We report our approach to climate change, water and deforestation risk on an annual basis via CDP at www.cdp.net.

This year 84% of the waste materials generated by our businesses' operations was sent for recycling, recovery or other beneficial uses.

Primark announced the rollout of its nation-wide recycling programme, inviting customers to donate their pre-loved clothes, textiles, footwear and bags from any brand to be 're-loved' via the Primark In-Store Recycling Scheme.

In August, Primark introduced a brand-new fleet of 15 Longer Semi Trailers (LSTs) which will help to significantly reduce the environmental impact of Primark's logistics operations in the UK.

In September, British Sugar's logistics partner, Abbey Logistics, took delivery of 11 new latest generation trucks that will go into Abbey's core British Sugar fleet, providing bulk sugar transport movements throughout the UK and Ireland. The vehicles will produce up to 20% less nitrogen oxide and fewer particulates than previous generation vehicles being replaced in the fleet, as British Sugar maximises the environmental benefits of homegrown sugar.

Operational risks continued

OUR SUPPLY CHAIN AND ETHICAL BUSINESS PRACTICES

Unchanged

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; and
- impact on reliability of supply and business continuity due to unforeseen incidents e.g. natural disasters.

Mitigation

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.

Primark has been working to strengthen its policies relating to human rights and modern slavery and has published a revised supplier code of conduct.

Primark, Twinings and AB Sugar have all produced interactive sourcing maps. AB Sugar's map outlines where it grows, sources and exports sugar: www.absugar.com/sourcing-map.

Changes since 2019

Our Modern Slavery and Human Trafficking Statement 2020, together with 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 2020 Responsibility Update at www.abf.co.uk/responsibility.

In April, we endorsed the International Labour Organisation led COVID-19 Action in the Global Garment Industry, working towards a coordinated global response to ongoing industry-wide issues. We continue to play our part in this initiative. Whilst Primark stores were closed, we paid for in full, and took delivery of, very large amounts of completed stock. We established a wages fund to ensure workers in vulnerable countries were paid as soon as possible for work on products in production for Primark when orders were cancelled in March. We also committed to pay our suppliers in full for all garments both finished and in production as well as any fabric costs for Primark prior to the stores closing.

Viability statement and going concern

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 84 to 90 could have on future performance, solvency or liquidity of the group and its resilience to threats to its viability posed by severe but plausible scenarios. 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 exhaust its available liquidity; 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. We considered actions which could damage the group's reputation for the long term, macro-economic influences such as fluctuations in commodity markets and the possible implications of a no-deal Brexit, and climate-related business risks. Specific consideration has been given to the potential ongoing risks associated with COVID-19. These risks include its impact on Primark's trading performance and to a lesser extent our ability to run our factories efficiently with the potential for disruption through shortage of labour or logistical issues caused by port constraints.

At the year end the group had gross cash of £2,030m and £1,088m of undrawn committed Revolving Credit Facilities (RCF) which together provide some £3,118m of liquidity. In August, a two-year extension to the group's RCF was agreed with its relationship banks extending the maturity of the facility to

Viability statement and going concern
continued

July 2023. During the course of this assessment £261m of the £336m of outstanding private placement notes will mature and the RCF will require refinancing. Based on discussions with our relationship banks and our private placement investors, it is the opinion of the Board that these facilities can be renewed and that substantial further funding could be secured should the need arise.

We have operations in 53 countries and sales into more than 100. The diversity of our businesses, in different sectors with different customers, products and markets removes the possibility of any single adverse event having a material impact on headroom. The importance of food production has been highlighted by recent events and the resilience of the group has been demonstrated by our ability to ensure the continuity of the food supply chain. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively to give rise to a deterioration in trading to a level that is likely to threaten the viability of the Company for the period of the assessment.

The group has a track record of delivering strong cash flows, with in excess of £1bn of operating cash being generated in each of the last nine years. This has been more than sufficient to meet not only our ongoing financing obligations but also to fund the group's expansionary capital investment.

Even in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period, the possibility of the group having insufficient resources to meet its financial obligations is considered extremely 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 16 September 2023.

Going concern
After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

The forecast for the period to the end of February 2022 has been updated for our trading to October and is our best estimate of future cash flow. Having reviewed this forecast, and having applied reverse stress tests, the possibility that the financial headroom could be exhausted is considered to be extremely remote.

As stated at the half year, as a precaution against illiquidity in the banking market, the Revolving Credit Facility (RCF) was drawn down. In August the facility was repaid in full. A two-year extension has now been agreed with our relationship banks which extends the maturity of the RCF to July 2023. In April we received confirmation from the Bank of England that we had access to the COVID Corporate Financing Facility (CCFF). Since then, we have not needed to draw upon this facility and do not expect to draw upon it in the coming months and as a result will allow our eligibility to lapse. Accordingly, the CCFF has not been taken into account in making our assessment of financial headroom.

At the year end, the group had gross cash of £2,030m and the undrawn RCF of £1,088m. The directors have satisfied themselves that the RCF will be available for at least the period to the end of February 2022, having assessed the group's projected compliance with the terms and covenants of this facility.

In reviewing the cash flow forecast for the period, the directors reviewed the trading for both Primark and the food businesses in light of the experience gained from the last six months of trading and emerging trading patterns. The directors understand the risks, sensitivities and judgements included in the cash flow forecast and have a high degree of confidence in these cash flows.

There is substantial financial headroom between this cash flow forecast and the cash on hand and facilities available to the group over the period. A number of extreme, adverse assumptions were considered and the likelihood of the headroom being exhausted was considered to be extremely remote.

We have operations in 53 countries and sales into more than 100. The diversity of our businesses, in different sectors with different customers, products and markets removes the possibility of any single adverse event having a material impact on headroom. The importance of food production has been highlighted by recent events and our employees continue to work successfully to ensure the continuity and resilience of the food supply chain. It would require a large number of adverse events for there to be a collective material impact on headroom and sales for the whole of the period would need to decline substantially, in every business, and with no cost mitigation. For Primark we considered the more extreme, adverse scenarios in which all the Primark stores were closed for three months over the Christmas trading period, without taking any of the available cost mitigation actions that are within our control, and the cash flow consequences did not exhaust the financial headroom.

The Strategic report was approved by the Board and signed on its behalf by

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

Board of directors

Michael McLintock
Chairman

N R

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

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

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

Wolfhart Hauser
Independent non-executive director

N A R

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

KEY
Board committees

N **Nomination Committee**
R **Remuneration Committee**
A **Audit Committee**
● **Committee Chair**

Richard Reid
Independent non-executive director

N A R

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
Chairman of Themis International Services Limited

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

Graham Allan
Independent non-executive director

N A R

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. Prior to joining Dairy Farm, he was president and chief executive officer at Yum! Restaurants International. Graham has previously held various senior positions in multinational food and beverage companies.

Other appointments:
Senior Independent Director of Intertek Group plc
Independent non-executive director of InterContinental Hotels Group PLC
Non-executive Chairman of Bata International, a privately-owned wholesaler and retailer
Non-executive Chairman of Nando's Group Holdings Limited
Board member of Kuwait Food Company Americana KSCC
Member, Business Council of IKANO Pte Ltd

Ruth Cairnie
Independent non-executive director

N A R

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, ContourGlobal plc and Rolls-Royce Holdings plc.

Other appointments:
Director and Chair of Babcock International Group PLC
Industry Chair of POWERful Women

Michael McLintock
Chairman

Dear fellow shareholders
I am pleased to present the Associated British Foods plc corporate governance report for the year ended 12 September 2020.

Whilst our approach of strong governance with a focus on ethics has remained unchanged, events in 2020 have placed unexpected demands on the Board.

Management continues to be encouraged to take a long-term view, but inevitably the nature of the COVID-19 pandemic and frequently changing government guidance has meant that swift decisions have frequently needed to be taken. Investing in the future also needed to be temporarily paused while the group managed and mitigated the urgent profit and cash flow impacts arising from the total loss of sales resulting from the rapid closure of Primark stores in March 2020.

Following the imposition of lockdown, physical Board meetings became impossible and we could only communicate by video conference or telephone. The critical impact of the COVID-19 pandemic generally, but particularly on our retail businesses, in practice meant that there was even more frequent communication between the Board than would usually be the case in order to inform and to guide the businesses in meeting the challenges. I am grateful to all my Board colleagues for making themselves available whenever required, frequently at short notice.

The Company takes its compliance with the 2018 UK Corporate Governance Code (the '2018 Code') seriously. As noted in further detail in this report, an external evaluation of the Board was due to be carried out this year, in line with our practice, in accordance with the UK Corporate Governance Code, of conducting an external evaluation every three years. The COVID-19 pandemic struck while the Board was in the process of appointing the external facilitator and priority had to be given to management and support of the group businesses. The external evaluation will therefore be undertaken in the course of the 2020/21 financial year and the external facilitator is in the process of being appointed. It should be noted that the Board has commissioned internal evaluations in each intervening year since the last external evaluation was conducted, and further details are included below on progress against the priorities identified from the 2019 internal evaluation. In respect of the 2018 Code provision relating to alignment of executive director pension contributions with the workforce, an explanation of our approach is set out on pages 112 and 116 of the Directors' Remuneration report.

There have been no changes to the structure or membership of the Board or its Committees since the last financial year other than Graham Allan being appointed to the Nomination Committee in January 2020. However, succession planning both at Board level and executive level has continued to be firmly on the agenda, as will continue to be the case in the coming year. In this regard, we are mindful of the Parker Review Recommendations and, in particular, the recommendation to have at least one director of colour on the Board by the end of 2021. As a Board, we consider on a continuous basis how best to meet those recommendations, as indeed is the case in respect of the Hampton-Alexander Review target of 33% representation of women on the Board.

We value having a Board which numbers eight directors; we feel this is an optimum size for the level of participation and debate that results. As we have been fortunate to enjoy stability of Board membership, vacancies have not arisen frequently which would in other circumstances have enabled us to make changes to the Board's composition.

We plan to meet the recommendations of the Hampton-Alexander and Parker reviews during the course of 2021. This is likely to result in our Board size increasing, at least for a period of time, to nine people. Whilst eight is our ideal number, we believe it is right to increase to nine in order to give effect to the reviews.

In respect of the 2020 annual general meeting ('AGM'), given the ongoing COVID-19 pandemic and in order to protect the health, safety and wellbeing of yourself, your fellow shareholders and of the group's employees, this will be a closed meeting and, regrettably, you should not attend.

We regret that the AGM will be curtailed in this way, but in the prevailing circumstances are grateful for your understanding. With your proxy form you will have received details of how to follow proceedings at the AGM through a telephone/internet stream and how to vote by proxy in advance of the meeting. Details are also provided of how you can put any questions to the Board in advance of the meeting.

You will also note that, at this year's AGM, we are proposing to amend our Articles to bring them up to date with market practice and, most importantly, to allow for hybrid meetings in order to give the flexibility for participation via electronic means in future physical AGMs, allowing for

The critical impact of the COVID-19 pandemic generally, but particularly on our retail businesses, in practice meant that there was even more frequent communication between the Board than would usually be the case in order to inform and to guide the businesses in meeting the challenges.

those who cannot attend (for example, because of rules around COVID-19 or similar) to have the ability to participate in proceedings as much as possible. Further details on these and other proposed amendments to the Articles are included in the Notice of AGM.

Richard Reid, our designated non-executive director for engagement with the workforce, has continued to make good progress with workforce engagement. It is predominantly through Richard's activities, and through business division updates to the Board on workforce engagement, that we assess and monitor culture. The COVID-19 pandemic has meant that not as much face-to-face interaction has taken place as Richard would have liked, although use of technology has allowed engagement in remote form and we will look to continue to use and embrace such technology going forward. Further details of the progress made can be found on pages 73 and 98.

We continue to build on what we believe are our sound ethical foundations and strong culture as embodied in our four values, namely respecting everyone's dignity, acting with integrity, progressing through collaboration, and pursuing with rigour. As well as being illustrated in the case studies in this annual report, in our new section 172 statement on pages 14 to 19 and the Responsibility section at pages 70 to 83, further detail can be found in our 2020 Responsibility Update and in our updated ESG Appendix, which highlight the way each of our businesses work bearing these values in mind. This new Update and Appendix are available on the Company's website at www.abf.co.uk/responsibility.

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 2018 Code. The 2018 Code applies to companies with financial years beginning on or after 1 January 2019 and sets out standards of good practice in relation to: (i) board leadership and company purpose; (ii) division of responsibilities; (iii) board composition, succession and evaluation; (iv) audit, risk and internal control; and (v) remuneration. The 2018 Code is published by the UK Financial Reporting Council ('FRC') and a copy is available from the FRC website: www.frc.org.uk.

The Board has received regular updates on the 2018 Code and the changes which it introduced and the Board had already started a programme to implement the changes suggested in the 2018 Code since before its application to the Company. For example, the Board had already appointed Richard Reid as designated non-executive director for engagement with the workforce prior the financial year ended 12 September 2020.

The Board considers that the Company has, throughout the year ended 12 September 2020, applied the principles and complied with the provisions set out in the 2018 Code except in relation to annual evaluation of the performance of the Board (see explanation on pages 99 and 100) and alignment of executive director pension contributions with the workforce (see explanation on pages 112 and 116 of the Directors' Remuneration report).

The Company's disclosures on its application of the principles of the 2018 Code can be found on the following pages:

Board leadership and Company purpose	See pages 94 to 103
Chairman's letter	See page 94
Leadership, values, culture and purpose	See also pages 4 to 7, 12 to 19, 70 to 71 and inside front cover
Strategy	See pages 12 to 13, 20 to 21, 96
Stakeholder and shareholder engagement	See pages 14 to 19, 72 to 83, 98 to 99, 102 to 103
Division of responsibilities	See pages 96 to 97, 99
Commitment, development and information flow	See page 99
Composition, succession and evaluation	See pages 97, 99 to 100, 103 to 104
Board evaluation	See pages 99 to 100
Nomination Committee report	See pages 103 to 104
Audit, risk and internal control	See pages 101 to 102
Risks, viability and going concern	See pages 84 to 91
Audit Committee report	See pages 105 to 109
Remuneration	
Directors' Remuneration report	See pages 110 to 121

Board leadership, company purpose and division of responsibilities

The Board

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success. This includes setting the Company's purpose, which is described in the Strategic report. The Board met regularly throughout the year, either in person or virtually, 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 further amended and restated by agreement dated 25 June 2020). 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 103.

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 2018 Code's recommendations, all directors currently in office will be proposed for re-election at the 2020 AGM to be held in December.

Board meetings

The Board held 11 meetings during the financial year as well as weekly phone updates from early March until mid-June. Periodically, Board meetings are held away from the corporate centre in London although, given the outbreak of the COVID-19 pandemic, Board meetings from March until the end of the financial year ended 12 September 2020 were held virtually.

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.

All of the directors attended those meetings that they were eligible to attend. Graham Allan was only appointed to the Nomination Committee in January 2020 and attended the one Nomination Committee meeting held following his appointment.

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	Audit Committee	Nomination Committee	Remuneration Committee
Michael McLintock	11/11	–	2/2	4/4
George Weston	11/11	–	–	–
John Bason	11/11	–	–	–
Emma Adamo	11/11	–	–	–
Graham Allan	11/11	4/4	1/1	4/4
Ruth Cairnie	11/11	4/4	2/2	4/4
Wolfhart Hauser	11/11	4/4	2/2	4/4
Richard Reid	11/11	4/4	2/2	4/4

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 Directors' Remuneration report which starts on page 110. 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 2019 AGM and the Notice of AGM describes how questions on the work of their respective Committees can be submitted.

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.

Composition and succession

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

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 a virtual 2-day meeting focused on strategy; and
- receiving a strategy update from the Chief Executive and Director of Business Development.

Acquisitions/disposals

- considering and approving various acquisitions including CowConnect ApS, Larodan AB and the minority stakes in Kilombero Holdings Limited and Illovo Distillers (Tanzania) Limited; 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;
- considering the group budget for the 2020/21 financial year;
- approving the Company's full year and interim results;
- recommending the 2019 final dividend and deciding not to pay an interim dividend in July 2020;
- drawdown, repayment and amendment and extension of the revolving credit facility;
- seeking a waiver from the covenant test for February 2021;
- seeking eligibility to access funding under the Bank of England Covid Corporate Financing Facility;
- receiving regular reports to the Board from the Finance Director on group cashflow and impact of COVID-19; 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;
- half yearly review of progress in implementing actions arising from the 2019 Board evaluation;
- 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 AGM including considering and approving an 'outlook' statement and, subsequently, discussing issues arising from the AGM.

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 a presentation on safety measures for employees and customers throughout Primark stores in response to COVID-19 and on supplier feedback.

People

- appointment of Graham Allan to the Nomination Committee;
- Richard Reid, independent non-executive director for engagement with the workforce, meeting and speaking (face-to-face or virtually) with people from across the businesses for onward reporting to the Board – see further details on page 98; and
- receiving and considering presentations on succession planning from the Group People and Performance Director.

Richard Reid
Non-executive director for engagement with the workforce

At Associated British Foods plc, our people are our greatest asset. This is not something we say lightly – people are the cornerstone of our devolved operating model, that ensures decisions are made locally where the experience and market knowledge resides.

At Associated British Foods plc, our people are our greatest asset. This is not something we say lightly – people are the cornerstone of our devolved operating model, that ensures decisions are made locally where the experience and market knowledge resides. This ethos, in turn, motivates teams and fosters the entrepreneurial mindset we encourage, which delivers results time and again.

It is therefore critically important that we support the development of our people, over the long term and that we foster an engaging, inclusive and supportive culture that enables everyone to build a satisfying career.

Our stakeholders are increasingly interested in how we support our workforce and I have been appointed to work with leaders across the business to evolve how the Company approaches this, increasing transparency, helping to spread good practice and ensuring that voices are heard at Board level.

Over the past year, I have invested time in meeting and speaking with people across every level in the Company, from every division. Geography and, latterly, the pandemic have meant a number of these conversations have had to be held virtually, but I was pleased to visit the ABF Ingredients (ABFI) team in Hamburg and the AB Mauri team at Peterborough.

Since I was appointed to this role, I have held 14 meetings or conversations. I have encouraged open conversations across a wide variety of topics, to hear, first-hand, from individuals on their views of Associated British Foods' devolved structure, approach to talent and career management, and their experience of diversity and inclusion. I have also sought to understand how each division communicates with and engages its people. This has been a fascinating experience and I have learned a great deal to pass on to the Board especially at our meeting on this topic, held in September 2020, at which it was agreed that divisions be asked to put more emphasis on two areas for 2020/21, namely: (i) to be even more explicit about their approach to diversity and inclusion; and (ii) to give insight into how leadership is enduring in a COVID-19 environment.

In addition to these individual meetings, Associated British Foods has formalised a process for sharing information about the workforce with the Board. Every year, each division of the Company is required to provide detailed information about five key themes as part of their business report and presentations to the Board. These are:

- **Health, Safety and Wellbeing**: such as Lost Time Injury data and each division's cultural approach to safety;
- **Diversity and Inclusion**: this includes data on the gender pay gap as well as programmes initiated by the respective Diversity & Inclusion steering groups such as training to recognise unconscious bias;
- **Engagement**: employee engagement surveys and approaches to internal communications are key components, along with planned social activities and recognition schemes;
- **Demographics and Metrics**: in addition to total headcount, the divisions are increasingly encouraged to share data on tenure, turnover and promotions; and
- **Learning and Development**: from apprenticeship and graduate schemes, through to programmes for managers and leaders.

The Board is now better informed and therefore better able to manage risks and address challenges; as well as support the long-term success of the Company.

As well as supplementing the understanding that the team at the corporate centre has of these people-related topics, this new process of information sharing has also enabled good practice to be better shared and adopted more easily between divisions. Over the last two years, I have joined three discussions with divisional HR directors where these submissions have been reviewed and discussed and I am delighted to see how the sharing process has influenced action. It has informed the employer branding work conducted by Twinings and the onboarding work delivered by George Weston Foods. Similarly, ABFI leveraged ideas from other businesses as it updated its talent management approach.

Over time it is planned to standardise certain key metrics for each of these five thematic areas. This will improve the Board's oversight of the similarities and differences between the divisions, and the strengths and weaknesses of each.

It has been my pleasure to support the business on this important subject. Over the year ahead, I will be supporting the divisional leadership teams as they navigate their way through the challenges presented by COVID-19. I also intend to spend more time understanding the divisions' respective approaches to diversity and inclusion, with the intention of giving the teams' work on this important issue the profile it deserves.

Richard Reid
Non-executive director

Composition and succession continued

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. Emma was appointed in December 2011 to represent this shareholding on the Board. 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.

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 92 and 93.

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 pages 103 and 104 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 prior to appointment and subsequent appointments require prior approval.

With the approval of the Board, Graham Allan was appointed as independent non-executive director of InterContinental Hotels Group PLC with effect from 1 September 2020. The Board were satisfied that Graham would still be able to commit an appropriate amount of time to the role and considered that this would add to his valuable contributions through being able to add additional insight from a different sector.

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. This typically includes training, as well as site visits and meetings with management to get to better know the businesses.

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. As part of the Board update on strategy at the virtual Board meeting held in June 2020, Graham Allan presented to the Board on insight regarding retail and Ruth Cairnie presented on inspiration from ESG activities in the oil and gas industry.

The Chief Executive encourages other Board members to visit operations either with him, with other directors or on their own. The COVID-19 pandemic limited the scope for physical visits from March 2020 until the end of the financial year, although Richard Reid met with AB Mauri head office staff in Peterborough in November 2019, met with business teams at ABF Ingredients in Hamburg in February 2020, visited Primark in Dublin in February 2020 (followed by a virtual meeting with Primark Dublin in May 2020 and subsequent virtual meetings with new starters and the Diversity & Inclusion steering group in September 2020) and held virtual meetings with:

- new starters at ACH in the United States in June 2020;
- the neonatal nutrition team and other employees at AB Agri in July 2020; and
- employees and the Diversity & Inclusion steering group from the UK Grocery business in July 2020.

Both the Chairman and Ruth Cairnie attended the Women in ABF virtual event in June 2020.

Following his appointment in September 2018, Graham Allan's training and development continued with a visit to the Don KRC Castlemaine site in December 2019 with the chief executive of George Weston Foods in Australia.

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 or calls 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. This was particularly the case from early March until mid-June when the Board received weekly updates from the Finance Director and held regular calls.

Board evaluation

An evaluation to assess the performance of the Board as a whole, its Committees and the individual directors is usually conducted annually with the aim of improving the effectiveness of the Board and its members and the performance of the group. It had been planned that the Board would be subject to an external evaluation during the course of the financial year ended 12 September 2020, it being three years since the last external evaluation. However, given the rapid onset of COVID-19-related events leading to a closure of all Primark stores in March 2020 and triggering the urgent need to manage and mitigate the profit and cash flow impacts arising from the loss of sales, it was considered that undertaking an external Board review in the following months would likely suffer a number of limitations and disadvantages, including:

- creating a distraction at a time when the Board and executive teams were in the midst of a crisis and dealing with pressing priorities;

- the likelihood of participants struggling to devote the time, and to give thoughtful consideration, to a review of Board and Committee performance given that their focus would inevitably be on crisis management issues;
- the risk that input and contribution from participants would be less useful and insightful if interviews needed to be conducted by videoconference rather than in person; and
- a risk of not getting full value and real insights from the exercise.

The external evaluation has therefore been deferred and it is intended that this will occur in 2021, as soon as circumstances permit, with such evaluation also specifically considering how the Board has responded to the COVID-19 crisis.

The Senior Independent Director carried out a performance evaluation of the Chairman during the year, concluding that the Chairman was unanimously highly regarded and had refreshed and energised the Board.

Overall, although there has been no opportunity for the planned formal external evaluation of the Board to be carried out, it is considered that the Board and its Committees continue to be highly effective in providing oversight of the Company and its governance, as demonstrated through its ongoing management of the group during the COVID-19 pandemic.

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.

Progress from the 2019 evaluation
During the first half of the year, the Chairman oversaw the implementation and progression of various recommendations arising from the 2019 evaluation, which included the objectives and actions set out below:

2019 objectives	Progress
Board composition • To continue to emphasise generalist skills in Board recruitment • To ensure gender and racial diversity are factors in Board searches	The Board discussed and agreed the appropriateness of creating diversity in Board membership and the potential need to increase the size of the Board to create such diversity.
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	Detailed reviews of succession planning were presented to the Board by the Group People and Performance Director (successor to the Group HR Director) and considered by the Board at Board meetings in October 2019 and June 2020.
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	Additional briefings were prepared and frequent calls held between scheduled Board meetings to ensure that Board members were fully briefed on the impact of COVID-19 on the group businesses.
Responsibility/ESG • To sustain momentum on progress and communication of activities	The Board had specific focus sessions on ESG in June 2020 strategy sessions as part of the Board meeting as well as updates from the Primark Ethics team and an update on Health, Safety and Environmental matters in the February 2020 Board meeting.
Governance • To continue to monitor co-ordination of IT across divisions	As part of supporting seamless home-working for many, the IT infrastructure was modified, bandwidth was increased with telecommunications partners and extensive use was made of collaboration software.

Audit, risk and internal control

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 12 to 13 and in the business strategy sections of the operating review on pages 23, 35, 43, 49 and 55. 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

The 2018 Code requires the directors to assess and report on the prospects of the group over a longer period. This longer-term viability statement and statement of going concern is set out on pages 90 to 91.

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.

Whistleblowing
The Audit Committee reports to the full Board on the analysis of reported allegations which is compiled by the Director of Financial Control. Arrangements are in place for proportionate and independent investigations of allegations and for follow-up action. Further details of the Whistleblowing Policy and processes in place, as well as information on the status of notifications received in the year to June 2020 are provided on page 77.

Assessment of principal risks
The directors confirm that, during the year, the Board has carried out a robust 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, including emerging, risks and how they are being managed and mitigated is set out on pages 84 to 90.

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 12 September 2020 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 84 to 90 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 2018 Code.

Please also see the Audit Committee report on pages 105 to 109.

Remuneration
The Directors' Remuneration report is on pages 110 to 121 and provides details of our remuneration policy and how it has been implemented, together with information on the activities of the Remuneration Committee.

Articles 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 122 to 124.

At this year's AGM, we are proposing to amend our Articles to bring them up to date with market practice and, most importantly, to allow for hybrid meetings in order to give the flexibility for participation in future AGMs via electronic means, allowing for those who cannot attend (for example, because of rules around COVID-19 or similar) to have the ability to participate in proceedings as much as possible. Further details on these and other proposed amendments to the Articles are included in the Notice of AGM.

Engagement with shareholders
Individual shareholders
We have a number of individual shareholders. All shareholders are usually invited physically to attend the AGM (although this has changed in respect of the 2020 AGM given the COVID-19 pandemic), have access to our website and receive electronic communications. The 2020 AGM will be live-streamed and shareholders will have the opportunity to put their questions to the Board in advance of the meeting. 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.

AGM
The AGM provides an opportunity for directors to engage with shareholders, answer their questions and, usually, to meet them informally. The 2020 AGM will be adapted to meet concerns relating to the COVID-19 pandemic. Whilst the AGM will be held on Friday 4 December 2020 at 11.00 am, shareholders should not attend physically but are instead asked to follow proceedings through the telephone/internet stream which is being set up. We encourage all shareholders to vote by proxy in advance of the meeting on all resolutions put forward. Shareholders are given the opportunity to raise questions and receive responses in advance of the voting deadline and further details are included in the Notice of AGM and documentation accompanying the proxy form. All votes are taken by a poll. In 2019, 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. We also publish an ESG Appendix each year. 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 (either in person or virtually) and discussed a range of topics including the Company's strategy and approach to governance and remuneration-related matters.

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 (virtually where necessary) 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)
Graham Allan
Ruth Cairnie
Richard Reid
Wolfhart Hauser

All members served on the Committee throughout the year, except for Graham Allan who was appointed on 15 January 2020.

Meetings

The Committee met twice 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;
- reviewing regularly the Board structure, size and composition (including skills, knowledge, independence, experience and diversity) and 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.

Committee activities during the year

Succession planning

The focus this year has continued to be on consolidating existing Board responsibilities. However, priorities identified for 2019 included continuing to emphasise generalist skills in board recruitment and continuing to factor in gender and racial diversity. In the continuous consideration of these topics, there is recognition of the appropriateness of creating greater diversity in Board membership and the potential need to increase the size of the Board in order to create such diversity. A process is underway to engage an external search consultancy.

Detailed reviews of succession planning in respect of senior management were presented to the Board by the Group People and Performance Director, at Board meetings in October 2019 and June 2020.

Re-election of non-executive directors

The Committee members considered the composition of the Board and the time needed to fulfil the roles of Chairman, Senior Independent Director and non-executive director.

The Committee members considered the re-election of directors prior to their recommended approval by shareholders at the AGM.

Performance evaluation

Whilst the internal evaluation in 2019 concluded that the Committee was continuing to function effectively, the Committee's effectiveness will be further reviewed in detail as part of the deferred external evaluation of the Board's performance to be carried out in the 2020/21 financial year.

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, the Group People and Performance 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.

As noted in previous years' reports, the Company has in the past 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 most recently 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.

Diversity and inclusion

As a Board, we recognise that diversity and inclusion 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 and inclusion. The Nomination Committee considers diversity and inclusion 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 value having a Board which numbers eight directors in total; we believe this is an optimum size in view of the level of participation and quality of debate that results. As we have enjoyed stability of Board membership, vacancies have not arisen frequently. This means that we are unlikely to meet the expectations of the Hampton-Alexander Review by having at least 33 per cent female representation on our Board by the end of 2020. In order to meet both the Hampton-Alexander Review expectations and the recommendation of the Parker Review that all FTSE 100 boards should have at least one person of colour as a director by the end of 2021, we plan to make an additional appointment to the Board during the course of the next year. This will result in our Board size increasing, at least for a time, to nine directors.

For details of diversity and inclusion as it applies to the group's wider workforce and the gender balance of senior managers and direct reports, please see page 75.

The group has for several years had a cross-divisional Diversity and Inclusion Taskforce and, with the support of the Board, efforts are being made to elevate and accelerate discussion and actions. This includes, for example, the request that the divisions be even more explicit about their approach to diversity and inclusion (see Richard Reid's letter on page 98) in addition to the programmes already initiated by divisional Diversity & Inclusion steering groups such as training to recognise unconscious bias.

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 invites the Finance Director, Group Financial Controller, Director of Financial Control, Director of Company Secretariat 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.

A review of the Committee's effectiveness had been planned during the second half of the year as part of the Board's annual performance evaluation. As a result of the onset of COVID-19-related events this did not take place.

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 the adoption of IFRS 16 *Leases* and the disclosures;
- 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;
- the recommendations of the FRC following its review of the group's 2019 financial statements, in which they considered compliance with reporting requirements;
- tax contingencies, compliance with statutory tax obligations and the group's tax policy;
- cyber security;
- impact of the Brydon Report;
- COVID-19 challenges and response assurance plan; and
- group long-term funding options.

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, tangible and right-of-use 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. The Committee focused on Azucarera, Allied Bakeries, China Sugar, Australian meat, AB Mauri and certain Primark stores. 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 estimates 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 its audit work, and its challenge of the key assumptions and associated sensitivities, it considered that the £157m impairment charge against Azucarera goodwill, Speedibake assets and some Primark stores included within exceptionals, and the £15m asset write-down at Allied Bakeries, as detailed in notes 8, 9 and 10, were appropriately recognised and that no further impairments were required.

Areas of significant accounting judgement and estimation material to the group financial statements	Audit Committee assurance
Impact of COVID-19 on the viability statement and going concern The COVID-19 pandemic continues to be a worldwide crisis and the situation is still uncertain. Authorities continue to impose restrictions on both a regional and local basis. COVID-19 has had a particular impact on the cash flow and profitability of the retail business. The Board considered future performance and cash flows in its going concern assessment, through to February 2022, and its viability statement over the next three years. Management have undertaken a detailed financial modelling exercise that has considered the impact on profit, cash and working capital of a number of potential scenarios.	Since March, when the pandemic became apparent, the Audit Committee, on behalf of the Board have considered the implications of COVID-19 and provided ongoing support and challenge of management's accounting, reporting and internal controls. As the pandemic continues to evolve, focus has been given to the retail business which could be impacted by future restrictions imposed by authorities. The Committee have reviewed and challenged the scenarios considered by management and concluded that these, and the stress testing scenarios and assumptions, were appropriate and adequate. The Committee have reviewed the detailed cash flow forecasts, which incorporated the mitigating actions taken by management. The Committee also reviewed and challenged the reverse stress assumptions to confirm the viability of the group. The Committee has been kept informed of the impacts of COVID-19 on the group, including accounting matters, going concern and viability considerations and UK FRC pronouncements. The Committee have satisfied themselves that management had adequately identified and considered all potentially significant accounting and disclosure matters.
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.	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.
Leases The group adopted IFRS 16 *Leases* for the first time this financial year. Judgement was 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, and the model used to determine values for lease related accounts. It also considered the appropriateness of IFRS 16 transition disclosures.
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 12 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 2018 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' EU exit;
- 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 77.

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 group 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 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 Chief People and Performance Officer, and the Finance Director or Group Financial Controller, with the Chair 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 12 September 2020 were £8.8m, of which £0.7m 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.

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 2020/21. 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.

Ruth Cairnie
Remuneration Committee Chair

In this section

How the directors' remuneration policy, approved in 2019, was implemented in 2019/20

Page 113

How we expect to implement the remuneration policy in 2020/21

Page 114

Supporting required disclosures

Pages 115 to 121

This report is subject to an advisory vote at the 2020 AGM.

Annual statement by the Remuneration Committee Chair

In this letter I have set out how we have applied our remuneration policy in the extremely challenging context of COVID-19. I have also outlined the key decisions made so far in relation to 2020/21. Further information on these topics can be found in the implementation report.

The first half of 2019/20 saw the group deliver an encouraging performance. In Grocery and Sugar, adjusted operating profit was ahead of the previous year and further growth was expected in the second half, particularly in Sugar. Retail delivered a promising first half with further market share growth in the UK and improvement in underlying performance in Europe, including Germany. A strong second half performance was expected.

Towards the end of the first half we saw the early impacts of COVID-19, which then intensified rapidly. For most of our food businesses, the challenge was to keep operations running; we acted swiftly to implement measures to keep our people safe and our operational teams worked around the clock to meet demand. Through these challenging conditions our food businesses delivered a very strong financial performance for the year.

In March we were required to close all Primark stores within 12 days. This required an extraordinary response, both to manage the operational situation safely and to mitigate the financial consequences. Shops had to be closed safely, further orders from our suppliers were stopped and immediate action was needed to manage cash flow and protect the group's liquidity. This was achieved with very strong leadership demonstrated from the top of the organisation down. Significant cost management and cash preservation actions were initiated across the group and funding was secured.

Primark made use of various government job retention schemes across Europe as an important element of saving some 68,000 jobs given the scale of the impact. Use of these schemes stopped when the majority of our stores had reopened. Primark was one of the first UK employers to confirm it would not be taking the UK Government's subsequent Job Retention Bonus.

There was no alternative to cancelling orders from our suppliers, given the operational and financial challenges. However, as we began to mitigate costs and could see a reopening timetable we prioritised more funds to support the supply chain, including establishing a wages fund and pledging to pay our garment suppliers in full for all garments both finished and in production as well as any fabric costs incurred for Primark. Primark has worked diligently to protect our suppliers and mitigate the impacts on them and their workers.

Cost reduction and cash preservation responses also included negotiations with landlords to reduce or defer payments of rent, and the interim dividend was cancelled.

Arranging for the reopening of stores was at least as great a challenge as closing them down, requiring great attention to the safety of both our employees and customers. The steps we introduced have been well received and trading so far has been good. Throughout the pandemic and across all our businesses, engagement and communication with staff, and care for their well-being, has been a high priority. No use of government job retention schemes was made outside of Primark.

Remuneration in 2019/20

Salaries

The Board agreed that their own remuneration should be reduced temporarily, in light of the impact of COVID-19 on our employees and wider stakeholders. On 3 April 2020 we announced that our executive directors' salaries were being reduced by 50% and our NED fees, including those of the Chairman, were being reduced by 25%. At the time we did not set an end date for these reductions. The Committee later determined that salaries and fees for Board members should return to normal from the start of the new financial year, so the reduction was in place for nearly six months and well beyond the date we ceased drawing on government job retention schemes.

STIP 2019/20

In April 2020, with many of our Primark stores closed, the Committee determined that no STIP payment would be made this year. The impact of closures on our financial performance meant that the financial element of performance would not be met. However, in an exceptional year, when much was asked of our senior leaders, we considered whether the personal element should remain in place. It was decided that, despite the very strong leadership performance, it was also appropriate to cancel the personal performance element of the STIP in recognition of the impact of COVID-19 on the lives and livelihoods of so many, as well as the cancelled interim dividend.

LTIP 2017–20
Given the financial impacts of COVID-19 in the second half of the year, the performance conditions for this incentive plan were not met. No shares will vest this year.

Forward looking remuneration decisions in 2020/21

Salaries
This year, salary increases for our wider UK workforce will vary from 0% to 3%. The Committee determined that salaries for the executive directors and fees for the Chairman should be increased by 2% in December 2020. The Chief Executive and Chairman have decided to waive these increases.

Pensions
We have decided to reduce John Bason's pension allowance to 10% of salary by the end of 2022. This level of allowance is in line with pension contribution rates for our UK employees. I would like to thank John for agreeing to this reduction to his contractual arrangements.

STIP 2020/21
In the current uncertain environment, it is very difficult to set performance targets. For the STIP we are setting targets now, but the ranges will be wider than usual to reflect greater uncertainty.

This year our working capital position is significantly affected by COVID-19. Many of our businesses have exceptionally low stock levels as we enter 2020/21, flattering their working capital position. Due to the uncertainty related to supply and demand in the year ahead, the Committee has decided to suspend the working capital modifier to the STIP outcome; the financial element of STIP 2020/21 will be measured based on profit only. We did not consider adding other additional measures to the STIP as we value the simplicity and consistency of our approach. We anticipate that this change of approach will apply for this financial year only and we will then re-adopt a working capital measure.

LTIP 2020-23
The impact of COVID-19 on this year's financial results means that setting EPS growth targets using our normal process could result in inappropriate incentive outcomes. Using the depressed performance in 2019/20 as the starting point means there would be a risk that vesting could be significantly higher than underlying performance might justify. We therefore plan to set the performance targets in the second half of the 2020/21 financial year by when we hope to have a clearer view from which to set more meaningful and stretching performance targets for this LTIP tranche.

We have considered whether any adjustment should be made to the number of shares that would be allocated based on our usual approach to reflect the relatively low current share price. However, we believe the share price appropriately reflects the business environment, and that a return of the share price to pre-COVID-19 levels will require a strong performance from the executives which, if achieved, would not constitute a 'windfall gain'. However, at the time of vesting we will, as is our usual practice, stand back and assess whether the outcomes are a fair reflection of true performance, including consideration of share price movements.

LTIP 2018–21 and 2019–22
We remain focused on strengthening our businesses for the future and investing in our people, our factories and our stores. The impact of COVID-19 on Retail means that meeting the financial performance conditions for the 2018-21 and 2019-22 LTIP tranches is very unlikely. Given the unique nature of COVID-19 the Committee has been reflecting on how to consider performance for these awards. The Committee anticipates that it may be appropriate to apply discretion in November 2021 and November 2022 to recognise recovery from COVID-19, progress against key strategic ambitions and the strength of financial performance in the reset business environment. This is in keeping with our long history of adjusting incentive outcomes both upwards and downwards to reflect performance in the round, including taking account of shareholder experience. Should the Committee determine that it would be appropriate to apply discretion, we will consult our largest shareholders next year before determining any outcome.

Investor consultation Autumn 2020
This year we have engaged with our largest shareholders to understand their views on our remuneration approach. We have welcomed their feedback, particularly in relation to our approach to incentives and will take this into consideration in the Committee's decision-making over the coming year.

During the year our leadership team has made a very significant contribution in an exceptionally challenging period, while forgoing salary and agreeing changes to their contractual arrangements. I would like to thank them for this.

Ruth Cairnie
Remuneration Committee Chair

On 3 April 2020 we announced that our executive directors' salaries were being reduced by 50% and that our NED fees, including those of the Chairman, were being reduced by 25% in recognition of the closure of our Primark stores.

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, informed the design of our current 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.

How our performance framework supports our strategy

The group takes a long-term approach to investment and is committed to increasing shareholder value to deliver steady growth in earnings and dividends.

REMUNERATION ELEMENT	PERFORMANCE METRICS	WHAT THEY MEASURE
Cash STIP 150% of salary maximum	Adjusted operating profit	Operational performance
	Working capital modifier	Disciplined cash management – not used in 2020/21 as explained on page 111
	Personal performance	Aligned to key business health and business performance goals, including ESG measures
Share STIP 50% of salary maximum	Adjusted operating profit	Operational performance
	Working capital modifier	Disciplined cash management – not used in 2020/21 as explained on page 111
LTIP 200% of salary maximum	Adjusted EPS growth in the non-Sugar businesses	Reflects the strategy of holding a portfolio of diverse businesses • EPS growth in our non-Sugar businesses is a key measure of long-term success
	Downwards modifiers: ROACE[1] in the non-Sugar businesses; ROACE in Sugar	Focus on returns in both Sugar and non-Sugar businesses: • ROACE in the non-Sugar businesses is intended as a safety net, and the performance range is set accordingly • Our Sugar business is held to deliver returns to our shareholders over the cycle, and sugar volatility is distorting in an EPS measure

1 The return on average capital employed averaged over the performance period.

Share alignment and time horizons

Shareholdings and alignment with shareholder interests are part of the culture of the group and the commitment of our leaders to the long-term stewardship of the business. Executive directors have very significant shareholdings in the Company.

Incentive plan time horizons

LTIP awards vest after a three-year performance period and are subject to a further two-year holding period. STIP shares are released three years after being granted at the start of the performance period.

Post-employment shareholding

Executive directors are required to hold, for two years post leaving the Company, shares at a level equal to the lower of the shareholding requirement (currently 250% of salary) or their actual shareholding on departure.

Pension

The group has a wide variety of pension arrangements and a strong history of honouring the commitments we make to individuals at appointment. For example, our UK defined benefit (DB) pension scheme remains open to future accrual for members that joined the group before it closed to new members. This principle has also applied to our incumbent executive directors. The Chief Executive earns benefits in an EFRBS and the Finance Director earned benefits in an EFRBS until April 2019, at which time his pension was replaced with a cash supplement of 25% of salary. Pension contributions for newly appointed executive directors will align to what is offered to our wider UK population with a maximum contribution rate at present of 10% of salary. John Bason's pension allowance will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.

Performance and pay outcomes for 2019/20

Business and employee context

In an extremely difficult environment, the executive directors delivered a very strong performance over the year, securing access to funding and taking early action to preserve cash and protect the group. They ensured that we only leveraged government schemes where necessary and we were one of the first businesses to confirm that we would not be accepting the potential payment from the UK government of £1,000 per employee retained in the UK until January 2021. A fund was created to ensure workers in Primark's supply chain were paid and commitments were made for new orders, including autumn/winter stock, as soon as the cash position was clear. In the food businesses, safety and food supply were maintained, with a focus on the protection of our employees. Ongoing attention to the Sugar cost base has seen improved returns this year, particularly in British Sugar, while in Agriculture we are making progress in our transformation of the business.

Remuneration approach

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

- Clarity and simplicity – one of our key remuneration principles. This year we have refreshed our Directors' Remuneration report to provide clearer disclosure of our policies and practices. Our approach in response to COVID-19 in 2019/20 was disclosed promptly to ensure clarity for all stakeholders.
- Risk and proportionality – we are aware of the 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. This year we have been particularly mindful of alignment with our workforce when considering the right and proportional approach to salary cuts and incentive outcomes.
- Predictability – 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.
- 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.

Remuneration response to COVID-19

In response to the impact of COVID-19 on the Company's earnings expectations and on the livelihoods of many, the following changes were made to directors' pay:

Base salary	George Weston's and John Bason's salaries were reduced by 50% from 1 April 2020 to the end of the 2019/20 financial year.
STIP cash	Given the impact COVID-19 has had on profit for the year, the cut-in level of financial performance was not achieved. Executive directors will not be paid bonuses relating to the 2019/20 financial year, with no bonus paid in respect of personal performance. We will disclose the target ranges that applied to the 2019/20 STIP in November 2021.
STIP shares	The 2019/20 STIP shares will lapse as the STIP financial targets have not been met.
LTIP	No shares will vest under the 2017–20 LTIP.
Non-executive directors' fees	The Chairman and non-executive directors' fees were reduced by 25% from 1 April 2020 to the end of the 2019/20 financial year.

Total pay for 2020

Emoluments table can be found on page 115.

George Weston	John Bason
£1,138,000 (-73% year-on-year)	£749,000 (-74% year-on-year)

Implementation of remuneration policy in 2020/21

Base salary

The Committee determined that it would be appropriate to increase salaries by 2% in December 2020, a level which is in line with increases for the workforce. The Chief Executive waived his increase.

	Increase	Salary from 1 December 2020
George Weston	0%	£1,090,000
John Bason	2%	£734,400

Benefits and pension

No changes will be made to benefits and pensions for executive directors in 2020/21. John Bason has agreed that his pension allowance will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.

STIP

For 2020/21 the STIP structure will remain unchanged. Up to 150% of salary can be earned under the cash element and up to 50% of salary can be earned under the shares element.

The split between financial and personal performance measures will be as shown in the table below. This year the financial element will be based on profit only and will not include a working capital modifier. This is because the impact of COVID-19 on stock levels could flatter the working capital position. The balance between financial and personal performance measures remains unchanged.

	Cash element as a % of salary			Shares element as a % of salary
	Operating profit	Personal element	Overall cash element	Operating profit
Maximum	130%	20%	150%	50%
On-target (budget)	65%	13.33%	78.33%	25%
Threshold	12%	0%	12%	5%
Below threshold	0%	0%	0%	0%

The STIP shares will be granted in November 2020 and will lapse at the end of the year to the extent to which performance conditions have not been met. The balance of the shares will remain conditional and will be deferred for a further two years. Malus and clawback provisions apply to STIP awards for up to two years after being paid.

Achievement against financial targets will be disclosed in our 2021 Remuneration report. Further details of the targets and ranges used for our 2020/21 STIP will be disclosed in the 2022 Remuneration report.

LTIP

LTIP awards will be granted in November 2020. Vesting will be based on performance against the following measures, as set out in our remuneration policy:

- group EPS without Sugar
- modifier for group ROACE without Sugar averaged over the performance period
- further modifier for Sugar ROACE (with the book value of goodwill added to the denominator) averaged over the performance period

Discretion may be applied at vesting so that no windfall gain results from the allocation being based on the average closing share price over the five trading days preceding the grant date.

The performance ranges will be set in the second half of the 2020/21 financial year.

Maximum award opportunities (% of salary)

George Weston	200%
John Bason	200%

A two-year post-vesting holding period applies to net of tax shares. Malus and clawback provisions apply for up to two years after vesting.

Shareholding requirement

Requirement to own Company shares beneficially to a value of at least 250% of salary.

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 STIPs and LTIPs must be held until the shareholding requirement is met.

Supporting required disclosures

About the Remuneration Committee

Role of the 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 and externally;
- 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 performance 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 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 to ensure that they are compliant with the latest corporate governance requirements and were most recently updated in October 2019. They are available on request from the Company Secretary's office or at www.abf.co.uk/investorrelations/corporate_governance.

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	Chair	Senior Independent Director	2014	4
Wolfhart Hauser	Member	Independent Director	2015	4
Richard Reid	Member	Independent Director	2016	4
Michael McLintock	Member	Chairman	2017	4
Graham Allan	Member	Independent Director	2018	4

George Weston (Chief Executive), Sue Whalley (Chief People and Performance Officer), and Julie Withnall (Group Director of Reward) attend the meetings of the Committee. Des Pullen (former Group HR Director) also attended meetings during 2019. No individual is present when their own remuneration is considered.

Directors' Remuneration Policy

The Company's remuneration policy was approved by shareholders on 6 December 2019. It is available at www.abf.co.uk/investorrelations/corporate_governance.

Single total figure of remuneration for executive directors (audited)

		George Weston		John Bason	
		2020 £000	2019 £000	**2020 £000**	2019 £000
Fixed pay	Salary[1]	**813**	1,063	**554**	703
	Benefits[2]	**16**	16	**16**	21
	Pension [3,4]	**309**	309	**179**	281
	Total fixed pay	**1,138**	1,388	**749**	1,045
Variable pay	STIP (inc deferred shares)[5]	**–**	1,574	**–**	1,045
	LTIP [6,7]	**–**	1,242	**–**	818
	Total variable pay	**–**	2,816	**–**	1,863
Single total figure		**1,138**	4,204	**749**	2,868

1 Salary paid is reduced for pension related salary sacrifices. The benefit of these salary sacrifices is captured in the pension entitlements shown. Salaries for 2020 reflect the temporary 50% reduction from April 2020 to the end of the financial year.
2 Includes benefits taken in cash of £14,121 for George Weston and £14,121 for John Bason. Also includes benefits in kind of £2,043 for George Weston, and £1,919 for John Bason. Benefits in kind include the taxable values of a company car, family private medical insurance, permanent health insurance, life assurance and an annual medical check-up.
3 The nature of George Weston's pension benefits has not changed during the year and the pensions number for remuneration purposes has remained the same as last year. This reflects the impact on the calculation of changes in the Consumer Prices Index.
4 In the prior year, John Bason's pension benefits continued until he reached his normal retirement date in April 2019, when further accrual under the EFRBS ceased. Since that date, he has been paid a pension supplement of 25% of salary, which is reported in the pensions row on this table for clarity, although it is strictly a taxable benefit.
5 The STIP value includes the cash and deferred share elements earned for performance in the year. In our 2018/19 disclosure, we included an amount in respect of dividend equivalents paid on STIP shares vesting in the year of £25,422 for George Weston and £16,743 for John Bason. As these were not paid in respect of STIP earned in the period, the numbers in the emoluments table above have been restated to exclude these amounts. For 2019/20, dividend equivalent payments will be made on STIP deferred shares vesting based on 2017/18 financial performance. These values are not shown in the table above and are £10,137 for George Weston and £6,677 for John Bason. For 2018/19 the value disclosed for the share element is estimated using the average mid-market closing price over the last quarter of 2018/19 of 2359.23p. For 2019/20 the performance condition has not been met. No element of the value shown for 2019/20 is attributable to share price appreciation.
6 No shares vested this year under the 2017–20 LTIP and no element of the value shown for 2019/20 is attributable to share price appreciation.
7 The 2019 LTIP value is based on 2016–19 awards which vested on 25 November 2019 at a share price of 2536.21p. The value disclosed for this award in 2019 was estimated using the average closing price over the last quarter of 2018/19 of 2359.23p. This has now been recalculated for the actual share price on the vesting date.

Pensions

George Weston

In 2019/20 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 12 September 2020 was £670,637.

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.

From 24 April 2019 onwards John Bason has been in receipt of a cash allowance in lieu of pension contributions of 25% of salary. This approach was significantly more cost effective for the Company than extending the previous contract and EFRBS membership and was consistent with the approach for other new joiners at executive level under the 2016 remuneration policy. Our largest shareholders were consulted in late 2018 and were supportive of this approach.

John Bason has agreed that his pension allowance will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.

Executive directors' shareholding and scheme interests

Scheme interests (audited information)

The tables below detail the conditional share interests held by the executive directors as at 12 September 2020. The awards made were in line with the remuneration policy in place at the time.

LTIP

Vesting of LTIP awards is subject to meeting performance conditions over the performance period. A further two-year post-vesting holding period applies to net of tax shares.

			Maximum award				Shares vesting			
Executive directors	Scheme name	Award date	% of salary	Face value at grant £000	Market price at grant[1]	End of performance period	Maximum	Target (50% of maximum)	Threshold (10% of maximum)	Release date
George Weston	LTIP	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
		09/12/19[2]	200%	2,180	2507.4p	17/09/22	86,943	43,473	8,694	21/11/22
John Bason	LTIP	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
		09/12/19[2]	200%	1,440	2507.4p	17/09/22	57,430	28,715	5,743	21/11/22

1 The share price used for determining the number of shares in an allocation is the average closing price on the five trading days immediately preceding the award date.
2 Performance targets for awards granted in December 2019 were disclosed in our 2019 Remuneration report.

STIP – shares

The value of deferred STIP shares to be released is determined based on the achievement of the STIP performance conditions.

			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	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
		09/12/19	50%	545	2507.4p	12/09/20	21,736	21,736	0	21/11/22
John Bason	Deferred Awards	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
		09/12/19	50%	360	2507.4p	12/09/20	14,358	14,358	0	21/11/22

1 The share price used for determining the number of shares in an allocation is the average closing price on the five trading days immediately preceding the award date.

LTIP 2017–20

The 2017 allocation was made under the remuneration policy approved in 2016. The table below shows details of the targets set (as adjusted for IFRS 16) and performance achieved. No shares will vest.

		Cut In	Target	Maximum	Performance	Outcome
40% of award – Group	2017–20 Adjusted EPS	147p	158p	171p	81.1p	0%
	ROACE modifier	10%	11%	12%	9.61%	n/a
	Total element					0%
60% of award – Group without Sugar	2017–20 Adjusted EPS	126p	137p	148p	77.1p	0%
	ROACE modifier	10%	11%	12%	10.17%	n/a
	Total element					0%
	Total vesting as % of maximum					0%

ROACE measure is defined as the three-year average of annual average return on capital employed.

Executive directors' shareholding requirements (audited information)

The interests below as at 12 September 2020 remained the same at 30 October 2020. Both directors have met our shareholding requirement.

Executive directors	Holding requirement	Beneficial	Beneficial as % of salary[1]	LTIP awards subject to performance condition	Unvested deferred awards	Total 12 September 2020	Total 14 September 2019
George Weston[2]							
Wittington Investments Limited, ordinary shares of 50p	n/a	5,940	n/a	n/a	n/a	5,940	2,660
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	250% of salary	3,646,210	6,485%	243,243	60,811	3,950,264	3,908,223
John Bason							
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	250% of salary	183,045	493%	160,537	40,135	383,717	353,568

1 Calculated using share price as at close of business on 11 September 2020 of 1938.50p and base salary as at 12 September 2020.

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 12 September 2020.

Non-executive directors' remuneration and share interests

Non-executive directors' fees

	Fees effective 1 Dec 2019	**Fees effective 1 Dec 2020**
Chairman	£410,000	**£410,000**
Additional fee for Senior Independent Director responsibilities	£21,000	**£21,000**
Additional fee for Committee Chair (Audit/Remuneration only)	£21,000	**£23,500**
Additional fee for responsibility for workforce engagement	£21,000	**£23,500**
Additional fee for chairing Primark Finance and Risk Committee	n/a	**£19,000**
Director	£74,000	**£74,000**

As discussed above, fees were temporarily reduced by 25% from 1 April 2020 to the end of the financial year due to the impact of COVID-19. Fees were reviewed during 2020 and it was determined that the Committee Chair fee and the fee for workforce engagement should be increased to £23,500 with effect from 1 December 2020. It was agreed that with effect from 13 September 2020 Richard Reid should be paid a fee of £19,000 for chairing the Primark Finance and Risk Committee. This is a Committee reporting to the executive rather than a Board Committee. It was determined that the Chairman's fee should increase by 2% in December 2020 but the Chairman waived this increase.

Non-executive directors' remuneration (audited information)

	Fees		Total fixed pay		Total variable pay		Total Single Figure of remuneration	
Non-executive directors	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Michael McLintock	**362**	409	**362**	409	**–**	–	**362**	409
Ruth Cairnie	**102**	111	**102**	111	**–**	–	**102**	111
Richard Reid	**102**	111	**102**	111	**–**	–	**102**	111
Emma Adamo	**65**	74	**65**	74	**–**	–	**65**	74
Wolfhart Hauser	**65**	74	**65**	74	**–**	–	**65**	74
Graham Allan	**65**	74	**65**	74	**–**	–	**65**	74
Javier Ferrán[1]	**–**	22	**–**	22	**–**	–	**–**	22

1 Javier Ferrán retired from the Board on 7 December 2018.

Non-executive directors' shareholdings 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 2020.

	Total 12 September 2020	**Total 14 September 2019**	**2020 total holding as a % of annual fee[2]**
Michael McLintock	**15,000**	15,000	**71%**
Ruth Cairnie	**5,223**	5,223	**87%**
Richard Reid	**3,347**	3,347	**56%**
Emma Adamo[1]			
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	**13,215%**
Wolfhart Hauser	**3,918**	3,918	**103%**
Graham Allan	**6,000**	3,000	**157%**

1 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 12 September 2020.
2 Calculated using share price as at close of business on 11 September 2020 of 1938.50p and fee rate as at 12 September 2020.

Directors' 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.

Directors' pay in the context of the group's wider pay practices
Associated British Foods is a diversified business that currently operates in 53 countries and employs over 133,000 people working across our five business segments. Our people are central to our business and we pride ourselves on being a first-class employer. The Committee has regard to workforce remuneration and related policies across the group and ensures alignment of incentives and reward with the Company's culture when determining the remuneration policy for directors.

CEO Pay Ratio

Year	Methodology used	Lower quartile	Median	Upper Quartile
2019/20	Option B	79:1	70:1	48:1
2018/19	Option B	253:1	238:1	169:1

We have chosen to use Option B of the available methodologies to calculate our CEO pay ratio. Given the complexity of our de-centralised group, this approach enables us to use existing gender pay data as a foundation for our calculations. We determined the hourly rates at each quartile of our 5 April 2019 data, then identified the individuals paid at each rate. We then calculated the average annual salary and total remuneration for each quartile (as each point represents multiple individuals). We pro-rated the data for part-time individuals to reflect full-time equivalent remuneration. The employees for each of the data points are Primark employees. Retail is our largest business in Great Britain. This data is considered to be broadly representative of total remuneration across our workforce in Great Britain. However, many of our early career employees are in Primark and this is reflected in the data, with those in the food businesses typically later in their careers and with remuneration at higher levels reflecting their skill and experience.

The median ratio has fallen since last year as George Weston's salary was reduced for a significant part of the year and no STIP or LTIP was earned for 2019/20 performance. Although COVID-19 also impacted pay and reward outcomes for our Retail employees, the scale of reduction for the Chief Executive was greater. In some of our food businesses, incentive payments increased this year as our colleagues worked hard to ensure that our product remained on supermarket shelves. This year's lower pay ratio reflects the relationship between the Chief Executive's pay and the experience of UK employees as a whole.

	Lower quartile	Median	Upper Quartile
Salary	£14,471	£16,299	£23,100
Single figure of total remuneration	£14,175	£16,492	£24,026

The salaries and remuneration levels above have been impacted by COVID-19, through the impact of the UK government's job retention scheme and voluntary salary reductions and because incentives targets were missed this year. 40% of our GB employees included in the data above are under 25 years of age, with 96.4% of those in Primark. All our GB employees are paid above the National Minimum Wage applicable for their age.

Employee engagement

We value the opinions of our people and many of our businesses undertake regular engagement surveys, encouraging their employees to provide honest feedback about their jobs, workplaces and overall satisfaction. Our 2020 Responsibility Update provides further details of how we develop and engage with our employees. On behalf of the Board, Richard Reid is the designated non-executive director for engagement with the workforce. More information on this can be found on page 98.

Annual percentage change in remuneration of directors and employees

	% change in salary/fees[1]	% change in benefits[2]	% change in cash STIP[3]
Executive directors			
George Weston	-23.52%	0%	-100%
John Bason	-21.19%	-23.81%	-100%
Non-executive directors			
Average for non-executive directors who do not chair Board Committees	-12.16%	n/a	n/a
Michael McLintock	-11.49%	n/a	n/a
Ruth Cairnie	-8.11%	n/a	n/a
Richard Reid	-8.11%	n/a	n/a
Average UK Associated British Foods parent employee	0.07%	2.90%	-63%

1 Average data includes data for individuals who had COVID-19 related salary reductions.
2 Benefits data is calculated on the same basis as the benefits data in the emoluments table and includes benefits in kind and benefits taken in cash but excludes any pension allowances.
3 Includes cash STIP payments only and for 2019/20 reflects the fact that no payment has been earned on financial performance measures and that for John Bason and George Weston no personal STIP will be paid.

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.

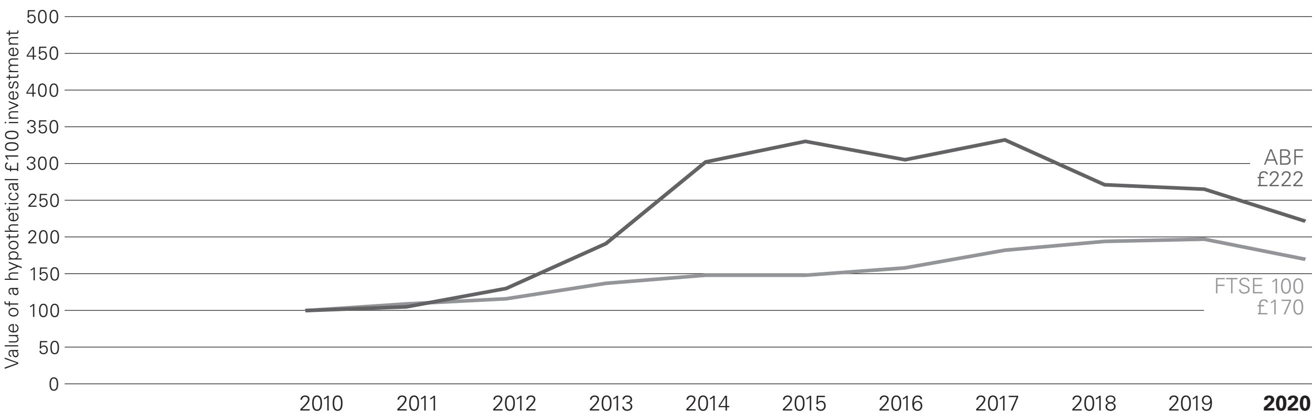
	2020 £m	2019 £m	Change %
Pay spend for the group	**2,505**	2,758	-9%
Dividends relating to the period	**–**	366	-100%
Taxes paid	**254**	269	-6%

Additional disclosures

TSR performance and Chief Executive's pay

The performance graph below illustrates the performance of the Company over the ten years from September 2010 to September 2020, 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.



Source: DataStream Return Index

	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Single total figure remuneration (£000)	3,182	3,859	5,832	7,470	3,056	3,133	4,849	3,843	4,204	**1,138**
Annual variable element – STIP (% of maximum)	31.91%	60.63%	83.15%	59.49%	44.46%	86.75%	97.47%[1]	50.34%[1]	73.37%[1]	**0%**
Long-term variable element – LTIP (% of maximum)	83.80%	97.42%	85.00%	100%	18.54%	0%	51.02%	100%	57.13%	**0%**

1 STIP adjusted to reflect the percentage of maximum before share price impacts.

2018/19 STIP – achievement against financial targets

This table shows our required retrospective disclosure of financial targets for 2018/19. The STIP outcome was disclosed in last year's annual report. We believe that making this more detailed disclosure a year after the end of the financial year enables us to share more information that might be commercially confidential immediately at year end.

2018/19 financial performance

	Cash Element			
	Threshold	Target	Maximum	Outcome
Adjusted operating profit £m	1,300.07	1,389.07	1,478.07	1,420.51
STIP for this level of profit (as % of salary)	15%	65%	108.3%	80.31%
Working capital as a % of revenue	17.08	15.96	14.84	14.83
Working capital modifier	0.8	1.0	1.2	1.2
Financial outcome *(adjusted operating profit outcome x working capital multiplier)*	12%	65%	130%	96.37%
STIP financial performance (% of maximum)	9.23%	50%	100%	74.13%

Performance in 2018/19 was better than budget, driven by Primark, AB Sugar, Twinings Ovaltine and ACH. AB Sugar faced a sharp reduction in profit due to the decline in the European sugar price but tight cost control was delivered to reduce the impact. Primark continued to develop across its geographies: the evolution of a profitable US store model resulted in a much lower US operating loss in the year, while there was further development of the consumer proposition which was showcased with the opening of Birmingham High Street. Eastern Europe showed promise and the first store was opened in Slovenia. Action was taken to address performance in Germany with a new managing director and a campaign of targeted local marketing. Twinings Ovaltine closed its Chinese tea factory during the year and continued with the launch of successful new products. In Allied Bakeries price increases were achieved with the major retailers. As disclosed in 2019, the loss of our largest own-label contract led to a detailed cost reduction and efficiency improvement programme and a £65m impairment charge at the half year. The depreciation that would otherwise have been charged on these assets did not arise so we adjusted the STIP target by this amount so that executives did not enjoy a windfall benefit.

2018/19 personal performance

	George Weston – outcome 13.3/20	John Bason – outcome 14/20
Divisional financial and operational objectives	Delivery of beet price reduction ahead of plan in Azucarera. Good work on new products in Grocery, especially with cold infusions and super blends in Twinings, growth of Yumi's in Australia and the growth in profitability of Acetum. Disappointing loss of a key commercial contract in Allied Bakeries.	
Development and delivery of strategies, including special projects and transactions	Promising joint venture formed with Wilmar in China, which will transform the yeast cost base there and strengthen commercial capability. Significant progress on a much higher volume of commercially confidential M&A activity. Successful acquisition and development of Yumi's, also completed Anthony's Goods, amongst others. Action taken to address weak performance in Primark Germany with a new managing director and a campaign of targeted local marketing.	
People and organisation	Secured successor for Group HRD. Supported leadership team succession in Primark. Made progress on FRC-related employee voice work with nominated NED appointment and processes for gaining insights. Successful on-boarding of Graham Allan as NED.	Secured successor for Corporate Communications. Finance director appointments made in Twinings, Agri and AB Mauri with further focus required in the coming year to support their on-boarding and to strengthen the function. Strengthening of central performance team.
Developing long-term business health	Addressed challenges in Retail, Allied Bakeries and Sugar. Good progress on Primark sustainability agenda. New Responsibility Report in 2019.	Addressed challenges in Retail, Allied Bakeries and Sugar. A step-up in IT Security. Detailed work on implications of, and actions in response to, Brexit.

			Threshold (% of salary)	Target (% of salary)	Maximum (% of salary)	Outcome (% of salary)	Outcome (% of maximum)
Total STIP Cash	Financial plus personal outcome	George Weston	12%	78.3%	150%	109.67%	73.11%
		John Bason	12%	78.3%	150%	110.37%	73.58%
Total STIP Shares	Financial outcome	George Weston	5%	25%	50%	37.07%	74.13%
		John Bason	5%	25%	50%	37.07%	74.13%

Statement on shareholder voting

Resolution	Date of AGM	Votes for	Votes against	Votes withheld
Directors' Remuneration policy	December 2019	96.23%	3.77%	98,600
Directors' Remuneration report	December 2019	96.74%	3.26%	1,654,662

Payments to past directors and payments for loss of office (audited information)
No payments were made in the year.

Remuneration Committee advisers and fees
The Committee undertook a review of its advisers during the year. Following a competitive tender the Committee appointed Deloitte LLP (Deloitte) to provide independent advice to the Committee. They succeeded its previous advisers, Willis Towers Watson (WTW) in March 2020. WTW and Deloitte are members of the Remuneration Consultants Group and both adhere to its code in relation to executive remuneration consulting. The Committee is satisfied that the advice it received in the year was objective and independent.

The other services that WTW provides to the Company are remuneration survey provision, job evaluation and remuneration benchmarking. The fees paid to WTW for Committee assistance over the past financial year totalled £23,550.

During the year the other services that Deloitte provided the Company were corporate and employment tax advice, advice related to transactions, and risk-related advisory work. The fees paid to Deloitte for committee assistance over the past financial year totalled £72,750.

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.

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 (July 2018) and the requirements of the UKLA Listing Rules.

The Directors' Remuneration report was approved by the Board and signed on its behalf by

Paul Lister
Company Secretary
3 November 2020

Introduction

The directors of Associated British Foods plc present their report for the 52 weeks ended 12 September 2020, 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 125 and the following cross-referenced material, is incorporated into this Directors' report:

- likely future developments in the group's business (pages 22 to 65);
- greenhouse gas emissions and energy consumption (page 82);
- the Board of directors (pages 92 to 93);
- information on our employees (pages 73 to 77);
- information on how the directors have engaged with employees (including those in the UK), have had regard to employee interests and the effect of that regard on the Company's principal decisions (pages 14 to 19, 73 to 77 and 98);
- information on how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the year (pages 14 to 19); and
- corporate governance report (pages 94 to 109).

Results and dividends

The consolidated income statement is on page 135. Profit for the financial year attributable to equity shareholders amounted to £455m.

Following much consideration, the Board has elected not to propose a final dividend for the year. As no interim dividend was paid in July 2020, there is no dividend related to the year ended 12 September 2020. See page 157 for the note on dividends.

Directors

The names of the persons who were directors of the Company during the financial year and as at 3 November 2020 appear on pages 92 to 93.

Appointment of directors

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. 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 and it is proposed that the Articles are amended to meet the 2018 Code requirements. Details of unexpired terms of directors' service contracts are set out in the Directors' Remuneration report on page 118.

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 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 117 and 118.

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
(5) Director waiver of emoluments	Directors' Remuneration report on pages 110, 113 and 118
(6) Director waiver of future emoluments	Directors' Remuneration report on pages 111, 114 and 118
(12) Shareholder waiver of dividends	Note 24 on page 175
(13) Shareholder waiver of future dividends	Note 24 on page 175
(14) Board statement on relationship agreement with controlling shareholder	Directors' report on page 123

Paragraphs (1), (2), (4), (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.

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 12 September 2020, had a combined interest in approximately 58.5% 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 further amended and restated on 25 June 2020).

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
The Company did not receive any formal notification, under the Disclosure Guidance and Transparency Rules, of any material interest in shares in the year to 12 September 2020. As at 30 October 2020, the last such notification received was the notification 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 12 September 2020, had a combined interest in approximately 58.5% of the voting rights in the Company's ordinary shares are set out above.

Share capital
Details of the Company's share capital and the rights attached to the Company's shares are set out in note 22 on page 172. 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 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.

Authority to issue shares
At the last AGM, held on 6 December 2019, 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 4 December 2020. No such shares have been issued.

The directors propose to renew this authority at the 2020 AGM for the forthcoming year. A further special resolution passed at the 2019 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 2020 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 Articles
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. The Company is proposing to amend its Articles at this year's AGM to reflect a number of changes to company law and market practice. A summary of the principal changes is set out in Appendix 1 to the Notice of AGM. The primary change is to give the directors power to convene the AGM, or any other general meeting, as a hybrid meeting, that is to provide for shareholders to attend a meeting which is being held at a physical place by electronic means as well (but not to convene a purely electronic meeting). A marked-up version of the proposed new Articles is available on our website at www.abf.co.uk

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 an amended and extended £1.1bn syndicated loan facility signed on 19 August 2020, maturing in July 2023, 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;
- £340m (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 all of the 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 £1,500 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 26 on page 176 onwards.

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 126 to 134.

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 4 December 2020 at 11.00 am. Details of the resolutions to be proposed are set out in a separate Notice of AGM 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.

The Directors' report was approved by the Board and signed on its behalf by

Paul Lister
Company Secretary
3 November 2020

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, Directors' 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
3 November 2020

Independent Auditor's Report
to the members of Associated British Foods plc

Opinion
In our opinion:

- Associated British Foods plc's consolidated 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 12 September 2020 and of the group's profit for the 52 weeks then ended;
- the consolidated 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 consolidated 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 12 September 2020	Balance sheet as at 12 September 2020
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 11 to 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 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the consolidated 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 parent 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 during the planning, execution and conclusion of our audit is sufficient and appropriate to provide a suitable 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 84 to 90, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 102 in the annual report and accounts, that they have carried out a robust assessment of the emerging and 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 91 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 pages 90 and 91 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, property, plant and equipment and right of use assets • Going concern • Tax provisions • Adoption of IFRS 16 Leases • Primark inventory valuation provisions • Revenue recognition, including the risk of management override	• We performed an audit of the complete financial information of 123 components and audit procedures on specific balances for a further 28 components. • The components where we performed full or specific audit procedures accounted for 83% of profit before taxation, 86% of revenue and 86% of total assets.	• We used a group materiality of £41 million, which represents 5% of profit before taxation adjusted for certain exceptional items.

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: our overall audit strategy, the allocation of resources in the audit and directing the efforts of our engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinions 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, property, plant and equipment and right of use assets (£10,270 million, 2019: £7,450 million) This risk has increased in the current year due to the impact of COVID-19 on the assessment of Primark stores' carrying values. The group has significant carrying amounts of goodwill, other intangible assets, property, plant and equipment and right of use assets that have arisen from acquisitions and capital investments. The Primark stores (£6,184 million), Azucarera (£271 million), China Sugar (£74 million), Allied Bakeries (£105 million), Australian meat (£197 million) and AB Mauri (£650 million) businesses all operate in challenging trading environments. In Primark, all 375 stores were unable to trade for a significant period as a result of the COVID-19 pandemic. The extent and speed of recovery in trading is dependent on consumer spending behaviour, consumers' willingness to visit stores under socially distanced measures and the extent of restrictions imposed by governments in each of the countries in which Primark and its supply chain operates in response to COVID-19. Low sugar prices have contributed to a reduction in profitability at both Azucarera and China Sugar in recent years. This was compounded by reduced beet supply in Azucarera. The Allied Bakeries and Australian meat businesses operate in environments of significant retailer pressure on price and competitor activity. 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. There is a risk that these cash generating units ('CGUs') or groups of 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 or, in the case of goodwill, group of CGUs, together with the rate at which they are discounted, or in estimating a CGU's fair value less costs of disposal. For Primark stores, uncertainty exists about the length of future store closures arising from COVID-19 which adds to the complexity of forecasting cash flows. Refer to the audit committee report (page 106); accounting policies (page 144); accounting estimates and judgements (page 150); and notes 8, 9 and 10 to the consolidated financial statements (pages 159 to 163).	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 (including as a result of COVID-19) or low levels of headroom, including the six CGUs or groups of 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 Primark's stores, understanding and critically evaluating the economic recovery assumptions, comparing the forecasted sales densities to actual experience since stores reopened, regional and country comparatives and strategic plans for specific stores to determine the suitability of assumptions used in store impairment models and the £116 million impairment recognised in the period; • For Azucarera and China Sugar, performing an independent current and historical market analysis to assess future sugar price and cost assumptions, with support from our valuation specialists on future sugar prices. For Azucarera, we considered whether the £23 million impairment recognised in the period was appropriate; • For Allied Bakeries, where the recoverable amount is based on fair value less costs of disposal as it is higher than value in use, 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 £15 million impairment recognised in the period was appropriate; • For Australian meat, analysing historical data to better understand the operations and to assess the ability to achieve forecast volume growth, operational improvements and production yields; • For AB Mauri, considering the historical achievement of volume and price growth and cost savings and comparing these to external market growth forecasts to assess the ability to achieve forecast growth; • In conjunction with our valuation specialists, assessing the discount rates used by determining independently a range of acceptable rates for each CGU, considering market data and comparable organisations, and comparing these ranges to the rates used by management; 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 is triggered and we 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, 9 and 10 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 Primark, Azucarera, China Sugar, Allied Bakeries and Australian meat CGUs were subject to full scope audit procedures by the respective component teams and reviewed by the group team.	We concluded that the impairments recorded against Primark stores (£116 million), Azucarera (£23 million) and Allied Bakeries (£15 million) were appropriately recognised and that no further impairments were required. For other CGUs that were tested for impairment, we concluded that no impairments were required at the period end, based on the results of our work. Of the group's assets, the portion relating to certain Primark stores, Azucarera, Allied Bakeries, China Sugar, Australian meat and AB Mauri remain 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 consolidated financial statements, in accordance with IAS 36.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Going concern This risk has increased in the current year due to the impact of COVID-19 on the group's trading and cash flows, particularly in Primark. In assessing whether the financial statements should be prepared on the going concern basis, the directors are required to consider all available information about the future for a period of at least 12 months from the date of approval of the financial statements. The directors have considered a going concern period through to the end of February 2022. In conducting their assessment, the directors have concluded that there are no material uncertainties that may cast significant doubt over the group's ability to continue as a going concern. A further description of this assessment is included in the accounting policies. The impact on the group of COVID-19, particularly in relation to Primark, resulted in increased consideration of the risks to the going concern basis of preparation compared with previous periods.	We understood the process undertaken by management to evaluate the operational and economic impacts of COVID-19 on the group and to reflect these in the group's forecasts. We tested the clerical accuracy of the model used to prepare the group's going concern assessment. We obtained evidence to support the changes in the group's financing arrangements in the period, including the two year extension of the group's revolving credit facility to July 2023 and the waivers of any potential covenant breach on this revolving credit facility at the February 2021 test date. We challenged the detailed assumptions underpinning the group's forecasts, in particular around sales in Primark, given the uncertainties arising from COVID-19 and the group's experience since stores reopened in summer 2020. We also considered whether the group's forecasts in the going concern assessment were consistent with other forecasts used by the group in its accounting estimates, including impairment. We considered, based on our own independent analysis, what reverse stress testing scenarios could lead either to a loss of liquidity or a covenant breach and whether these scenarios were plausible. We assessed the appropriateness of the group's disclosure concerning the going concern basis of preparation. The audit procedures performed to address this risk were performed by the group audit team.	Based on our independent modelling, which considered what would have to happen to compromise the group's liquidity during the going concern period and whether that was plausible, we are satisfied that the directors' conclusion that there are no material uncertainties over the group's ability to continue as a going concern is appropriate and the associated disclosures are in accordance with the accounting standards.
Tax provisions (included within the income tax liability of £171 million, 2019: £163 million) This risk is unchanged from the prior year. 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, 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 107); accounting policies (page 142); accounting estimates and judgements (page 150); and note 5 to the consolidated financial statements (page 157).	We understood: • The group's process for determining the completeness and measurement of provisions for tax; • The impact of IFRIC 23 requirements on the group's methodology to determine 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 jurisdictions where the group had more significant tax exposures. We assessed the group's transfer pricing judgements, considering the way in which the group's businesses operate and the correspondence and agreements reached with tax authorities. In evaluating management's accounting, we developed our own range of acceptable provisions for the group's tax exposures, based on the evidence we obtained. We then compared management's provision to our independently determined range. We assessed the tax accounting impact of any benefits taken by the group as a consequence of a range of COVID-19 economic stimulus packages implemented by governments around the world.	We have evaluated the group's tax provisions and challenged the judgements applied. We consider the amounts provided for uncertain tax positions to be within an acceptable range in the context of the group's overall tax exposures.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Adoption of IFRS 16 Leases (at 12 September 2020: right of use assets of £2,990 million and lease liabilities of £3,655 million) This is a new risk for the current year due to the complexity and judgements involved in the adoption of IFRS 16. 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 adoption of IFRS 16 Leases in the period 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 readily be determined; and • Identification of lease arrangements within the scope of IFRS 16. Determining the lease term requires judgements to be made about future events (including lease extension and termination options), which increases uncertainty over the valuation of the lease liabilities, right of use assets, interest and depreciation recorded in the period. IBR is a key assumption in measuring the lease liability on transition and involves judgement and estimation due to adjustments for security, term and currency. The diversity of ABF's global operations increases the risk of lease data used to compute the transition adjustment being inaccurate and incomplete. There is also a risk of incorrect calculation of accounting entries being recorded in the lease accounting model by management. Refer to the audit committee report (page 107); accounting policies (pages 146 to 149); accounting estimates and judgements (page 150); and note 10 to the consolidated financial statements (pages 163 to 164).	We understood and evaluated the design and implementation of key controls used in estimating the transition adjustments on adoption of IFRS 16 and the subsequent accounting. We performed the following audit procedures, with a particular focus on Primark, George Weston Foods and centrally held leases. • We understood and walked through management's model, including controls, used to estimate the right-of-use assets and lease liabilities, including testing the integrity and arithmetical accuracy of management's lease accounting model; • We understood and walked through changes to the financial statement close process to verify the completeness and accuracy of lease-related accounting and disclosures made for the first time in 2020; • We 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; • In particular, we assessed whether the lease term was appropriately determined, including whether management's assessment of reasonable certainty to exercise extension options or not to exercise termination options was appropriate, considering whether contrary evidence existed with reference to the asset, the entity and the market; • For the same sample we independently recalculated the right-of-use asset and lease liability amounts, testing the arithmetical accuracy and integrity of management's model; • Understood other accounting judgements and elections taken by management in determining the transition adjustment to be recognised and disclosed in 2020 and considered whether they were appropriate in the context of IFRS 16 and the underlying source data we inspected; and • With input from our treasury specialists, we tested the methodology used to determine the IBRs with reference to lease term and market data on country risk and credit ratings. We evaluated the appropriateness of the transition and period end accounting and disclosures for compliance with IFRS criteria. 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 key estimates and judgements supporting the transition adjustment, as well as the accounting and disclosures, are in accordance with IFRS 16.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Primark inventory valuation provisions (inventory balance of £1,104 million, 2019: £1,356 million) This risk has increased in the current year due to the impact of COVID-19 on Primark's trading. Inventories are recorded at the lower of cost and net realisable value, in accordance with the group's accounting policy. The prolonged closure of all Primark stores for an extended period in 2020 due to COVID-19 lockdown measures in all countries of operation, together with the ongoing uncertainties over the economic recovery, results in a risk that the cost of inventory will not be recovered, due to product no longer being in season when stores open and/or suffering damage while stores were closed. In addition, there are committed purchase contracts which could create an onerous contract risk. Primark's inventory valuation provision is subject to a significant degree of estimation, using different inputs and assumptions. These inputs include inventory quantities (held in stores, warehouses and goods-in-transit where Primark bears the ownership risk), together with estimates of realisable value at the reporting date. Assumptions are then applied of sell-through volumes and markdown adjustments in stores. Given the uncertainties over future trading in Primark due to COVID-19, there is a risk that inventory is misstated. Refer to the accounting policies (page 145) and note 16 to the consolidated financial statements (page 169).	We understood the methodology applied by the group in estimating its inventory provision and walked through the controls over the provisioning process. We assessed the accuracy of inputs and data used within provision models and reperformed a sample of calculations applied by management. We compared our expectations to inputs and assumptions used by management in determining the Primark inventory valuation provisions, challenging whether the basis for the amounts recorded was appropriate. We focused specifically on committed purchase contracts, recent and expected store trading patterns, changes in store selling space, the impact of future seasonal markdowns assumed and compared these against historical data where applicable. We made enquiries of buying teams to understand inventory purchasing strategy to critically evaluate against management's provisioning assumptions. This included evaluating the £284 million inventory and onerous contract provision recorded at the half year, its subsequent release in the second half of the year and the onerous contract provision of £22 million recorded at 12 September 2020. We assessed whether the disclosures in the financial statements are in accordance with IFRS. The audit procedures performed to address this risk were performed by the Primark component team and reviewed by the group team.	The group recognised a provision of £22 million in respect of inventory still to be received under commitments made to suppliers. The estimated provision recognised at half year of £284 million has been released following the earlier than anticipated reopening of stores in May and June and better than expected trading performance over the summer months. We are satisfied that the judgements made in determining the year end inventory provisions are appropriate. We did not identify any evidence of material misstatement in the inventory provisions or associated disclosures recognised in the consolidated financial statements.
Revenue recognition, including the risk of management override (£13,937 million, 2019: £15,824 million) This risk is unchanged from the prior year. 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 on management 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% (2019: 3%) of the group's gross revenue is subject to such arrangements. There is a risk that management may override controls intentionally to 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 141); accounting estimates and judgements (page 150); and note 1 to the consolidated financial statements (pages 151 to 154).	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 considered how the uncertainties surrounding the COVID-19 pandemic affect contracts with customers, considering collectability, price concessions and selling prices. We discussed key contractual arrangements with management and obtained relevant documentation, including in respect of rebate arrangements. Where rebate arrangements existed, on a sample basis, we obtained third-party confirmations or performed appropriate alternative procedures, including reviewing contracts and recalculating 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 several businesses, including Primark, as part of our overall revenue recognition testing, we used data analysis tools on 100% of revenue transactions in the period 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 £11.0 billion (79%) (2019: £13.6 billion (86%)) of revenue recognised by the group. For those in-scope businesses where we did not use data analysis tools, we performed 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 performed full and specific scope audit procedures over this risk area in 84 locations, which covered 86% 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 management override or material misstatement in the revenue recognised in the period.

The key audit matters set out in the table above are consistent with those reported in 2019, except for the addition of "Primark inventory valuation" and "Going concern", both of which have warranted additional focus in the current period audit as a result of the COVID-19 pandemic. In addition, the "Adoption of IFRS 16" key audit matter in the current period was "Disclosure of impact of adoption of IFRS 16 Leases" in the 2019 audit report, reflecting the fact that the new leases standard was adopted in the current period.

An overview of 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 consolidated financial statements, and to achieve adequate quantitative coverage of significant accounts in the financial statements, of the 680 reporting components of the group, we selected 151 components, which represent the principal business units within the group.

Of the 151 components selected, we performed an audit of the complete financial information of 123 components ("full scope components"), which were selected based on their size or risk characteristics. For the remaining 28 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 83% of the group's profit before taxation (2019: 88%), 86% of the group's revenue (2019: 89%) and 86% of the group's total assets (2019: 90%). For the current period, the full scope components contributed 78% of the group's profit before taxation (2019: 67%), 80% of the group's revenue (2019: 78%) and 82% of the group's total assets (2019: 78%). The specific scope components contributed 5% of the group's profit before taxation (2019: 21%), 6% of the group's revenue (2019: 11%) and 4% of the group's total assets (2019: 12%). 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 529 components (2019: 460) that together represent 17% of the group's profit before taxation (2019: 12%), none is 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 consolidated financial statements.

The charts illustrate the coverage obtained from the work performed by our audit teams.

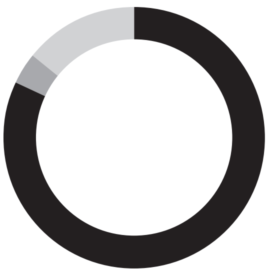
Profit before taxation

● Full scope components	**78%**
● Specific scope components	**5%**
● Other procedures	**17%**

Revenue

● Full scope components	**80%**
● Specific scope components	**6%**
● Other procedures	**14%**

Total assets



● Full scope components	**82%**
● Specific scope components	**4%**
● Other procedures	**14%**

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 by us, as the group audit team, or by component auditors from other EY global network firms under our instruction. Of the 123 full scope components, audit procedures were performed on 73 of these directly by the group audit team and 50 by component audit teams. Of the 28 specific scope components, audit procedures were performed on 7 of these directly by the group audit team and 21 by component audit teams. 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 current audit cycle, our planned visits to component teams were cancelled due to the travel restrictions arising from the COVID-19 pandemic. We performed alternative procedures, including video meetings and live reviews of our local audit teams' working papers. The Senior Statutory Auditor or other members of the group audit team performed virtual visits to 27 full and specific scope components in the UK, Argentina, Australia, Brazil, China, Ireland, Germany, Netherlands, New Zealand, South Africa, Switzerland and Uruguay.

These virtual visits used video technology and our global audit software to meet 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, the adoption of IFRS 16, inventory valuation (in Primark), tax provisions and revenue recognition, holding meetings with local management 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 consolidated 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 £41 million (2019: £66 million), which is 5% (2019: 5%) of profit before taxation adjusted for certain exceptional items (2019: profit before taxation, adjusted for exceptional items and certain significant profits less losses on sale and closure of businesses). Exceptional items were £139 million of impairment charges and £22 million of inventory provisions (2019: exceptional items were £65 million of impairment charges and £14 million of Guaranteed Minimum Pension charges; and certain significant profits less losses on sale and closure of businesses were a loss of £88 million relating to AB Mauri's agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International).

We consider that this basis for assessing materiality provides the most relevant performance measure to the stakeholders of the group, as exceptional items were non-recurring, sufficiently material and not related to the ongoing trading of the group. The basis to set materiality has not changed in the current period. The decrease of £25 million (38%) in group materiality since 2019 reflects the significant reduction in profit before taxation adjusted for exceptional items, driven principally by the impact of COVID-19 on Primark.

We determined materiality for the parent company to be £28 million (2019: £36 million), which is 2% of equity.

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 £31 million (2019: 75% of planning materiality, being £49 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 £14 million (2019: £1 million to £27 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 (2019: £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 125, 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, 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 101 – 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 105 to 109 – 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 95 – 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 period 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 125, 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 parent 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 parent 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
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 observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- 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 programmes 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 programmes 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. 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 17 April 2020. We were appointed by the company at the AGM on 6 December 2019 to audit the financial statements for the 52 weeks ending 12 September 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is five years, from the 53 weeks ended 17 September 2016 until the 52 weeks ended 12 September 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent 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
3 November 2020

Consolidated income statement

for the 52 weeks ended 12 September 2020

Continuing operations	Note	2020 £m	2019 £m
Revenue	1	**13,937**	15,824
Operating costs before exceptional items	2	**(13,046)**	(14,524)
Exceptional items	2	**(156)**	(79)
		735	1,221
Share of profit after tax from joint ventures and associates	11	**57**	57
Profits less losses on disposal of non-current assets		**18**	4
Operating profit		**810**	1,282
Adjusted operating profit	1	**1,024**	1,421
Profits less losses on disposal of non-current assets		**18**	4
Amortisation of non-operating intangibles	8	**(59)**	(47)
Acquired inventory fair value adjustments	2	**(15)**	(15)
Transaction costs	2	**(2)**	(2)
Exceptional items	2	**(156)**	(79)
Profits less losses on sale and closure of businesses	23	**(14)**	(94)
Profit before interest		**796**	1,188
Finance income	4	**11**	15
Finance expense	4	**(124)**	(42)
Other financial income	4	**3**	12
Profit before taxation		**686**	1,173
Adjusted profit before taxation		**914**	1,406
Profits less losses on disposal of non-current assets		**18**	4
Amortisation of non-operating intangibles	8	**(59)**	(47)
Acquired inventory fair value adjustments	2	**(15)**	(15)
Transaction costs	2	**(2)**	(2)
Exceptional items	2	**(156)**	(79)
Profits less losses on sale and closure of businesses	23	**(14)**	(94)
Taxation – UK (excluding tax on exceptional items)		**(69)**	(75)
– UK (on exceptional items)		**1**	12
– Overseas (excluding tax on exceptional items)		**(189)**	(214)
– Overseas (on exceptional items)		**36**	–
	5	**(221)**	(277)
Profit for the period		**465**	896
Attributable to			
Equity shareholders		**455**	878
Non-controlling interests		**10**	18
Profit for the period		**465**	896
Basic and diluted earnings per ordinary share (pence)	7	**57.6**	111.1
Dividends per share paid and proposed for the period (pence)	6	**nil**	46.35

Consolidated statement of comprehensive income

for the 52 weeks ended 12 September 2020

	2020 £m	2019 £m
Profit for the period recognised in the income statement	**465**	896
Other comprehensive income		
Remeasurements of defined benefit schemes	**(89)**	(407)
Deferred tax associated with defined benefit schemes	**15**	68
Current tax associated with defined benefit schemes	**–**	2
Items that will not be reclassified to profit or loss	**(74)**	(337)
Effect of movements in foreign exchange	**(97)**	43
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(3)**	3
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	**(15)**	(29)
Deferred tax associated with movement in cash flow hedging position	**–**	7
Share of other comprehensive income of joint ventures and associates	**(1)**	4
Effect of hyperinflationary economies	**17**	38
Deferred tax associated with hyperinflationary economies	**–**	(2)
Items that are or may be subsequently reclassified to profit or loss	**(98)**	61
Other comprehensive loss for the period	**(172)**	(276)
Total comprehensive income for the period	**293**	620
Attributable to		
Equity shareholders	**296**	601
Non-controlling interests	**(3)**	19
Total comprehensive income for the period	**293**	620

Consolidated balance sheet

at 12 September 2020

	Note	2020 £m	2019 £m
Non-current assets			
Intangible assets	8	**1,629**	1,681
Property, plant and equipment	9	**5,651**	5,769
Right-of-use assets	10	**2,990**	–
Investments in joint ventures	11	**233**	225
Investments in associates	11	**56**	50
Employee benefits assets	12	**100**	228
Deferred tax assets	13	**212**	160
Other receivables	14	**45**	51
Total non-current assets		**10,916**	8,164
Current assets			
Assets classified as held for sale	15	**43**	43
Inventories	16	**2,150**	2,386
Biological assets	17	**72**	84
Trade and other receivables	14	**1,328**	1,436
Derivative assets	26	**102**	99
Current asset investments	25	**32**	29
Income tax		**30**	24
Cash and cash equivalents	18	**1,996**	1,495
Total current assets		**5,753**	5,596
Total assets		**16,669**	13,760
Current liabilities			
Liabilities classified as held for sale	15	**(5)**	(6)
Lease liabilities	10	**(297)**	–
Loans and overdrafts	19	**(154)**	(227)
Trade and other payables	20	**(2,316)**	(2,556)
Derivative liabilities	26	**(87)**	(52)
Income tax		**(171)**	(163)
Provisions	21	**(123)**	(64)
Total current liabilities		**(3,153)**	(3,068)
Non-current liabilities			
Lease liabilities	10	**(3,342)**	–
Loans	19	**(318)**	(361)
Other payables	20	–	(271)
Provisions	21	**(41)**	(54)
Deferred tax liabilities	13	**(210)**	(261)
Employee benefits liabilities	12	**(166)**	(195)
Total non-current liabilities		**(4,077)**	(1,142)
Total liabilities		**(7,230)**	(4,210)
Net assets		**9,439**	9,550
Equity			
Issued capital	22	**45**	45
Other reserves	22	**175**	175
Translation reserve	22	**323**	409
Hedging reserve	22	**(7)**	(9)
Retained earnings		**8,819**	8,832
Total equity attributable to equity shareholders		**9,355**	9,452
Non-controlling interests		**84**	98
Total equity		**9,439**	9,550

The financial statements on pages 135 to 199 were approved by the Board of directors on 3 November 2020 and were signed on its behalf by:

Michael McLintock
Chairman

John Bason
Finance Director

Consolidated cash flow statement
for the 52 weeks ended 12 September 2020

	2020 £m	2019 £m
Cash flow from operating activities		
Profit before taxation	**686**	1,173
Profits less losses on disposal of non-current assets	**(18)**	(4)
Profits less losses on sale and closure of businesses	**14**	94
Transaction costs	**2**	2
Finance income	**(11)**	(15)
Finance expense	**124**	42
Other financial income	**(3)**	(12)
Share of profit after tax from joint ventures and associates	**(57)**	(57)
Amortisation	**89**	68
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	**827**	544
Impairment of property, plant & equipment and right-of-use assets	**15**	–
Exceptional items	**156**	79
Acquired inventory fair value adjustments	**15**	15
Effect of hyperinflationary economies	**5**	6
Net change in the fair value of current biological assets	**(1)**	–
Share-based payment expense	**8**	22
Pension costs less contributions	**10**	(10)
Decrease/(increase) in inventories	**199**	(202)
Decrease in receivables	**81**	18
(Decrease)/increase in payables	**(174)**	44
Purchases less sales of current biological assets	**(1)**	(1)
Increase/(decrease) in provisions	**41**	(28)
Cash generated from operations	**2,007**	1,778
Income taxes paid	**(254)**	(269)
Net cash from operating activities	**1,753**	1,509
Cash flows from investing activities		
Dividends received from joint ventures and associates	**43**	52
Purchase of property, plant and equipment	**(561)**	(680)
Purchase of intangibles	**(61)**	(57)
Lease incentives received	**35**	–
Sale of property, plant and equipment	**30**	12
Purchase of subsidiaries, joint ventures and associates	**(16)**	(84)
Sale of subsidiaries, joint ventures and associates	**2**	6
Purchase of other investments	**(1)**	–
Interest received	**11**	20
Net cash from investing activities	**(518)**	(731)
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(7)**	(4)
Dividends paid to equity shareholders	**(271)**	(358)
Interest paid	**(104)**	(43)
Repayment of lease liabilities	**(247)**	–
Decrease in short-term loans	**(43)**	(263)
(Decrease)/increase in long-term loans	**(2)**	2
(Increase)/decrease in current asset investments	**(2)**	1
Purchase of shares in subsidiary undertaking from non-controlling interests	**(2)**	(1)
Movements from changes in own shares held	**–**	(25)
Net cash from financing activities	**(678)**	(691)
Net increase in cash and cash equivalents	**557**	87
Cash and cash equivalents at the beginning of the period	**1,358**	1,271
Effect of movements in foreign exchange	**(6)**	–
Cash and cash equivalents at the end of the period	**1,909**	1,358

Consolidated statement of changes in equity

for the 52 weeks ended 12 September 2020

	Note	Attributable to equity shareholders 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 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
IFRS 16 opening balance adjustment		–	–	–	–	(149)	(149)	(1)	(150)
Balance as at 15 September 2019		45	175	409	(9)	8,683	9,303	97	9,400
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	455	455	10	465
Remeasurements of defined benefit schemes		–	–	–	–	(89)	(89)	–	(89)
Deferred tax associated with defined benefit schemes		–	–	–	–	15	15	–	15
Items that will not be reclassified to profit or loss		–	–	–	–	(74)	(74)	–	(74)
Effect of movements in foreign exchange		–	–	(83)	(1)	–	(84)	(13)	(97)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(3)	–	–	(3)	–	(3)
Deferred tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	–	(15)	–	(15)	–	(15)
Share of other comprehensive income of joint ventures and associates		–	–	(1)	–	–	(1)	–	(1)
Effect of hyperinflationary economies		–	–	–	–	17	17	–	17
Items that are or may be subsequently reclassified to profit or loss		–	–	(86)	(16)	17	(85)	(13)	(98)
Other comprehensive income		–	–	(86)	(16)	(57)	(159)	(13)	(172)
Total comprehensive income		–	–	(86)	(16)	398	296	(3)	293
Inventory cash flow hedge movements									
Gains transferred to cost of inventory		–	–	–	18	–	18	–	18
Total inventory cash flow hedge movements		–	–	–	18	–	18	–	18
Transactions with owners									
Dividends paid to equity shareholders		–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	8	8	–	8
Deferred tax associated with share-based payments		–	–	–	–	1	1	–	1
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8)	(8)
Acquisition and disposal of non-controlling interests		–	–	–	–	–	–	(2)	(2)
Total transactions with owners		–	–	–	–	(262)	(262)	(10)	(272)
Balance as at 12 September 2020		**45**	**175**	**323**	**(7)**	**8,819**	**9,355**	**84**	**9,439**

Significant accounting policies

for the 52 weeks ended 12 September 2020

Associated British Foods plc is domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 12 September 2020 comprise those of the Company and its subsidiaries and the group's interest in joint ventures and associates.

The consolidated financial statements were authorised for issue by the directors on 3 November 2020.

The consolidated financial statements have been prepared and approved by the directors in accordance with Adopted IFRS.

The Company has elected to prepare its parent company financial statements under FRS 101. These are presented on pages 200 to 207.

Basis of preparation

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 150.

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 12 September 2020 (2019 – 52 weeks ended 14 September 2019).

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 12 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 65. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 66 to 69.

In addition, the Principal risks and uncertainties on pages 84 to 90 and note 26 on pages 176 to 187 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.

Going concern

The going concern basis has been applied in these consolidated financial statements. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

The forecast for the period to the end of February 2022 has been updated for the group's trading to October and represents the Board's best estimate of future cash flow. Having reviewed this forecast, and having applied reverse stress tests, the possibility that the financial headroom could be exhausted is considered to be extremely remote.

As stated at the half year, as a precaution against illiquidity in the banking market, the RCF was drawn down. In August the facility was repaid in full. A two-year extension has now been agreed with the Company's relationship banks which extends the maturity of the RCF to July 2023. In April the Bank of England confirmed that the Company had access to the CCFF. Since then, the Company has not needed to draw upon this facility and does not expect to draw upon it in the coming months and as a result will allow its eligibility to lapse. Accordingly, the CCFF has not been taken into account in making our assessment of financial headroom.

At the year end, the group had gross cash of £2,030m and the undrawn RCF of £1,088m. The directors have satisfied themselves that the RCF will be available for at least the period to the end of February 2022, having assessed the group's projected compliance with the terms and covenants of this facility. In reviewing the cash flow forecast for the period, the directors reviewed the trading for both Primark and the Food businesses in light of the experience gained from the last six months of trading and emerging trading patterns.

The directors understand the risks, sensitivities and judgements included in the cash flow forecast and have a high degree of confidence in these cash flows. There is substantial financial headroom between this cash flow forecast and the cash on hand and facilities available to the group over the period. A number of extreme, adverse assumptions were considered and the likelihood of the headroom being exhausted was considered to be extremely remote.

The group has operations in 53 countries and sales into more than 100. The diversity of its businesses, in different sectors with different customers, products and markets removes the possibility of any single adverse event having a material impact on headroom. The importance of food production has been highlighted by recent events and the group's employees continue to work successfully to ensure the continuity and resilience of the food supply chain. It would require a large number of adverse events for there to be a collective material impact on headroom and sales for the whole of the period would need to decline substantially, in every business, and with no cost mitigation.

For Primark we considered the more extreme adverse scenarios in which all Primark stores were closed for three months over the Christmas trading period, without taking any of the available cost mitigation actions that are within our control, and the cash flow consequences did not exhaust the financial headroom.

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.

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. 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.

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.

Deferred tax assets are 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 recognition at nominal value less an expected credit loss provision, which is recognised based on management's expectation of losses without regard to whether or not a specific impairment trigger has occurred.

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.

All equity investments are measured at fair value.

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 designated in a hedge relationship, in which case hedge accounting will apply.

Trade payables
Trade payables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in recognition at 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 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 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.

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. 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 141. 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.

Significant accounting policies
for the 52 weeks ended 12 September 2020

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.

In the 2019 financial year, where the group was a lessee and had substantially all the risks and rewards of ownership of an asset, the arrangement was considered a finance lease. Finance leases were 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 was charged to the income statement on the same basis as owned assets. Payments made under finance leases were apportioned between capital repayments and interest expense charged to the income statement.

Other leases where the group is a lessee were treated as operating leases. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease, as were the benefit of lease incentives.

In the 2020 financial year, where the group is a lessee, the following accounting policy applies:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value.

Lease payments on short-term leases and leases of low-value assets are expensed to the income statement.

Lessor accounting

Where the group subleases assets, the sublease classification is assessed with reference to the head lease right-of-use asset. This assessment considers, among other factors, whether the sublease represents the majority of the remaining life of the head lease.

The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised. This assessment takes into consideration whether the sublet/head lease are above/below market rate.

Amounts due from lessees under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the incremental borrowing rate at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for lessees under finance leases is recognised in the income statement.

The group recognises finance income over the lease term, reflecting a constant periodic rate of return on the net investment in the lease. Operating lease income is recognised as earned on a straight-line basis over the lease term.

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.

Grants

Grants are recognised only when there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable.

Hyperinflation

The Argentinian economy was designated hyperinflationary from 1 July 2018. The group 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 12 September 2020 (ARS95.82:£1); and
- the cumulative impact corresponding to previous years has been reflected in other comprehensive income in the period.

The FACPCE index was 239.6077 at 31 August 2019 and 337.0632 at 31 August 2020. The inflation index for the year is therefore 1.4067.

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, other than IFRS 16 *Leases*:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment features with Negative Compensation*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to IFRS 2015 – 2017*

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 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year
- Amendments to IAS 1 and IAS 8 *Definition of Material* effective 2021 financial year
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* effective 2023 financial year (not yet endorsed by the EU)
- Amendments to *References to the Conceptual Framework in IFRS Standards* effective 2021 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 2021 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 applies 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. The group completed its implementation project during the 2019 financial year.

IFRS 16 permits a choice of transition approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach with the cumulative effect of initial application recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio meant that it would have been either 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.

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 reported as non-current assets and are initially measured at either:

- carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 15 September 2019 (applied to a majority of the group's leases where sufficient historical information was available); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (applied to a small number of leases where sufficient historical information was not available).

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

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 have been 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 does not change, the generally straight-line profile of operating lease expense is now more front-loaded under IFRS 16 because of the interest charge on the lease liability.

In applying IFRS 16, the group has applied the following practical expedients as of the transition date:

- reliance on the previous identification of a lease (as defined by IAS 17) for all contracts that existed at the date of initial application;
- reliance on previous assessment of whether leases are onerous instead of performing an impairment review (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease);
- accounting for operating leases with a remaining lease term of less than 12 months as at the transition date as short-term leases excluded from the scope of IFRS 16 (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease); and
- accounting for operating leases for low-value items as excluded from the scope of IFRS 16.

No adjustment has been made to the recognition and measurement of assets previously recognised as finance leases under IAS 17 which were transferred to right-of-use assets on adoption of IFRS 16, with the related borrowings transferred to lease liabilities.

Impact on the group's results and financial position

The first results published under IFRS 16 were the 2020 interim results. The impact of IFRS 16 on the group's results and financial position is significant. IFRS 16 affects a number of financial statement captions and ratios, including the following:

Item	Comment
Earnings	There is a marginal impact on earnings and therefore marginal impact on dividend cover.
Operating profit/ operating margin	Operating profit and operating margin have increased as operating lease expenses are replaced by the depreciation of right-of-use assets.
Finance expense	Finance expense has increased significantly as a result of the interest cost on lease liabilities. Interest cover has therefore reduced.
Taxation	Taxation has changed in line with the changes in profit before tax.
Net debt	Net debt has increased very significantly as lease liabilities are recorded within current and non-current liabilities. Gearing ratios have therefore increased. The reconciliation of net debt includes more non-cash items as new leases are entered into.
Return on capital employed	The return on capital employed has reduced 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 have changed, as set out above.

The changes set out below to the group's assets and liabilities were recorded at the transition date of 15 September 2019 in the 2020 financial year and were charged against opening equity in this 2020 annual report.

	As reported 14 September 2019 £m	IFRS 16 adjustments £m	15 September 2019 £m
Non-current assets			
Property, plant and equipment	5,769	(20)	5,749
Right-of-use assets	–	3,204	3,204
Deferred tax assets	160	41	201
Other non-current assets	2,235	–	2,235
Total non-current assets	8,164	3,225	11,389
Current assets			
Other current assets	5,596	3	5,599
Total current assets	5,596	3	5,599
Total assets	13,760	3,228	16,988
Liabilities			
Lease liabilities	–	(3,678)	(3,678)
Loans and overdrafts	(588)	14	(574)
Provisions	(118)	10	(108)
Deferred tax liabilities	(261)	–	(261)
Other liabilities	(3,243)	276	(2,967)
Total liabilities	(4,210)	(3,378)	(7,588)
Net assets	9,550	(150)	9,400
Equity			
Total equity attributable to equity shareholders	9,452	(149)	9,303
Non-controlling interests	98	(1)	97
Total equity	9,550	(150)	9,400

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

Disclosures on transition

The following table reconciles the operating lease commitments as at 14 September 2019 disclosed in the group's 2019 Annual Report to the amount recognised on the consolidated balance sheet in respect of lease liabilities on adoption of IFRS 16.

	£m
Undiscounted future operating lease commitments disclosed as at 14 September 2019	**5,213**
Effect of assumptions on renewal options and break clauses	(490)
Effect of discounting	(1,028)
Accruals and prepayments	(32)
Other reconciling items (net)	1
IFRS 16 lease liabilities recognised as at 15 September 2019	**3,664**
Existing finance lease liabilities as at 14 September 2019	14
Total lease liabilities recognised as at 15 September 2019	**3,678**

Under the modified retrospective transition method, lease payments were discounted to present value at 15 September 2019 using incremental borrowing rates derived as at that date representing the rate of interest that the group entity that entered into the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Given the disproportionate value and profile of property leases in the Retail segment (£3,495m, 95% of the group total at transition), it is not appropriate to provide a single weighted average discount rate applied for the group at transition.

The weighted average incremental borrowing rate applied on transition for the Retail segment was 2.28%. For the food businesses, the incremental borrowing rates applied to individual leases range between 0.00% and 14.56%.

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

Continuing operations	52 weeks ended 14 September 2019 (IAS 17) £m	IFRS 16 adjustments £m	52 weeks ended 14 September 2019 (IFRS 16 pro forma basis) £m
Operating profit	1,282	61	1,343
Adjusted operating profit	1,421	61	1,482
Profits less losses on disposal of non-current assets	4	–	4
Amortisation of non-operating intangibles	(47)	–	(47)
Acquired inventory fair value adjustments	(15)	–	(15)
Transaction costs	(2)	–	(2)
Exceptional items	(79)	–	(79)
Profits less losses on sale and closure of businesses	(94)	–	(94)
Profit before interest	1,188	61	1,249
Finance income	15	–	15
Finance expense	(42)	(82)	(124)
Other financial income	12	–	12
Profit before taxation	1,173	(21)	1,152
Adjusted profit before taxation	1,406	(21)	1,385
Profits less losses on disposal of non-current assets	4	–	4
Amortisation of non-operating intangibles	(47)	–	(47)
Acquired inventory fair value adjustments	(15)	–	(15)
Transaction costs	(2)	–	(2)
Exceptional items	(79)	–	(79)
Profits less losses on sale and closure of businesses	(94)	–	(94)
Taxation	(277)	4	(273)
Profit for the period	896	(17)	879
Attributable to			
Equity shareholders	878	(17)	861
Non-controlling interests	18	–	18
Profit for the period	896	(17)	879
Basic and diluted earnings per ordinary share (pence)	111.1	(2.1)	109.0
Adjusted earnings per ordinary share (pence)	137.5	(2.1)	135.4

IFRS 16 has the most significant impact on the Retail segment given the significant number of store leases to which Primark is a party. The changes in other liabilities mainly relate to the elimination of lease incentives received from the landlords of stores in the Retail segment.

Accounting estimates and judgements
for the 52 weeks ended 12 September 2020

In applying the accounting policies detailed on pages 140 to 149, 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.

IFRS 16 *Leases*
The adoption of IFRS 16 required the group to make a number of estimates and judgements.

Transition approach
The selection of transition approach is a significant judgement. The group adopted the modified retrospective transition approach. The rationale for this is set out in the Significant accounting policies.

Lease term
IFRS 16 defines lease term as the non-cancellable period of a lease together with options to renew or break a lease, if the lessee is reasonably certain to exercise that option. The assessment of lease term is a significant estimate.

Where leases include an option to extend or reduce the lease term, the group makes a lease-by-lease assessment as to whether it is reasonably certain that the option will be exercised.

This assessment considers the length of the time before any renewal or break option is exercisable, current and forecast store trading, the remaining useful economic life of store assets and any planned capital investment.

Assessments for individual leases are also considered in aggregate to ensure consistency of approach.

Discount rate
The selection of discount rates is a significant judgement. The incremental borrowing rate applied to each lease was determined based on the risk-free rate in each country of operation adjusted for factors such as the estimated credit rating of the contracting entity, guarantees given by other group companies and the terms and conditions of each lease. Group Treasury devised a consistent and structured approach using a third-party model evaluating the following:

- external market data (e.g. risk-free rates in each country of operation and published financial statements);
- lease-specific data (e.g. lease dates and payments, lease counterparties and guarantors); and
- internal data and judgements (e.g. assessment of business model, judgements as to lease term).

Impairment risk associated with COVID-19
The global spread of COVID-19 began in the first half of the 2020 financial year. The group has specifically considered the impact of COVID-19 in performing its year end assessment of impairment risk.

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.

Further details are included in note 8 for intangible assets and note 9 for property, plant and equipment.

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.

The judgement as to whether to recognise deferred tax assets is based on the following year's budget and expectations of the future performance of each business. Particular focus has been given to the potential impact of COVID-19 on the recoverability of deferred tax assets.

Deferred tax assets are reduced to the extent that it is no longer considered probable that the related tax benefit will be realised.

Further details of deferred tax assets are included in note 13.

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 deficit of £66m being recognised as at 12 September 2020. The size of this deficit 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 12.

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 17.

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.

Notes forming part of the financial statements
for the 52 weeks ended 12 September 2020

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, provisions and lease liabilities.

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, right-of-use assets, 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Operating segments				
Grocery	**3,528**	3,498	**437**	381
Sugar	**1,594**	1,608	**100**	26
Agriculture	**1,395**	1,385	**43**	42
Ingredients	**1,503**	1,505	**147**	136
Retail	**5,895**	7,792	**362**	913
Central	**–**	–	**(63)**	(76)
	13,915	15,788	**1,026**	1,422
Businesses disposed:				
Grocery	**13**	23	**(1)**	(1)
Ingredients	**9**	13	**(1)**	–
	13,937	15,824	**1,024**	1,421
Geographical information				
United Kingdom	**5,054**	5,971	**312**	476
Europe & Africa	**5,048**	5,992	**298**	589
The Americas	**1,619**	1,609	**254**	237
Asia Pacific	**2,194**	2,216	**162**	120
	13,915	15,788	**1,026**	1,422
Businesses disposed:				
The Americas	**–**	3	**–**	–
Asia Pacific	**22**	33	**(2)**	(1)
	13,937	15,824	**1,024**	1,421

Notes forming part of the financial statements
for the 52 weeks ended 12 September 2020

1. Operating segments continued
For the 52 weeks ended 12 September 2020

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,530	1,658	1,398	1,685	5,895	(251)	13,915
Internal revenue	(2)	(64)	(3)	(182)	–	251	–
External revenue from continuing businesses	3,528	1,594	1,395	1,503	5,895	–	13,915
Businesses disposed	13	–	–	9	–	–	22
Revenue from external customers	3,541	1,594	1,395	1,512	5,895	–	13,937
Adjusted operating profit before joint ventures and associates	404	98	33	132	362	(63)	966
Share of profit after tax from joint ventures and associates	33	2	10	15	–	–	60
Businesses disposed	(1)	–	–	(1)	–	–	(2)
Adjusted operating profit	436	100	43	146	362	(63)	1,024
Profits less losses on disposal of non-current assets	9	7	1	(1)	3	(1)	18
Amortisation of non-operating intangibles	(52)	–	(1)	(6)	–	–	(59)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Transaction costs	–	–	–	(2)	–	–	(2)
Exceptional items	5	(23)	–	–	(138)	–	(156)
Profits less losses on sale and closure of businesses	(4)	–	–	(4)	–	(6)	(14)
Profit before interest	379	84	43	133	227	(70)	796
Finance income						11	11
Finance expense	(1)	(3)	–	–	(79)	(41)	(124)
Other financial income						3	3
Taxation						(221)	(221)
Profit for the period	378	81	43	133	148	(318)	465
Segment assets (excluding joint ventures and associates)	2,689	1,893	429	1,470	7,372	155	14,008
Investments in joint ventures and associates	51	27	136	75	–	–	289
Segment assets	2,740	1,920	565	1,545	7,372	155	14,297
Cash and cash equivalents						1,998	1,998
Current asset investments						32	32
Income tax						30	30
Deferred tax assets						212	212
Employee benefits assets						100	100
Segment liabilities	(637)	(351)	(147)	(334)	(4,523)	(219)	(6,211)
Loans and overdrafts						(472)	(472)
Income tax						(171)	(171)
Deferred tax liabilities						(210)	(210)
Employee benefits liabilities						(166)	(166)
Net assets	2,103	1,569	418	1,211	2,849	1,289	9,439
Non-current asset additions	104	88	21	97	476	13	799
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	(109)	(85)	(16)	(57)	(546)	(14)	(827)
Amortisation	(62)	(2)	(2)	(7)	(14)	(2)	(89)
Impairment of property, plant & equipment and right-of-use assets	(15)	–	–	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	(1)	–	–	(1)	–	–	(2)
Impairment of right-of-use assets on sale and closure of businesses	–	–	–	(2)	–	–	(2)

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	3,502	1,667	1,388	1,680	7,792	(241)	15,788
Internal revenue	(4)	(59)	(3)	(175)	–	241	–
External revenue from continuing businesses	3,498	1,608	1,385	1,505	7,792	–	15,788
Businesses disposed	23	–	–	13	–	–	36
Revenue from external customers	3,521	1,608	1,385	1,518	7,792	–	15,824
Adjusted operating profit before joint ventures and associates	348	26	30	122	913	(76)	1,363
Share of profit after tax from joint ventures and associates	33	–	12	14	–	–	59
Businesses disposed	(1)	–	–	–	–	–	(1)
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)

1. Operating segments – geographical information

2020

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,054	5,048	1,619	2,216	13,937
Segment assets	5,249	6,263	1,314	1,471	14,297
Non-current asset additions	197	406	128	68	799
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	(292)	(397)	(70)	(68)	(827)
Amortisation	(48)	(27)	(6)	(8)	(89)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of property, plant and equipment and right-of-use assets	(15)	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(2)	(2)
Impairment of right-of-use assets on sale and closure of businesses	–	–	–	(2)	(2)
Transaction costs	–	(1)	–	(1)	(2)
Exceptional items	(4)	(108)	(44)	–	(156)

2019

	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)

The group's operations in the following countries met the criteria for separate disclosure:

	Revenue		Non-current assets	
	2020 £m	2019 £m	2020 £m	2019 £m
Australia	1,161	1,177	558	521
Spain	1,097	1,430	849	417
United States	1,055	1,051	727	560

All segment disclosures are stated before reclassification of assets and liabilities classified as held for sale (see note 15).

2. Operating costs

	Note	2020 £m	2019 £m
Operating costs			
Cost of sales (including amortisation of intangibles)		**10,800**	12,187
Distribution costs		**1,293**	1,356
Administration expenses		**953**	981
Exceptional items		**156**	79
		13,202	14,603
Operating costs are stated after charging/(crediting):			
Employee benefits expense	3	**2,505**	2,758
Amortisation of non-operating intangibles	8	**56**	45
Amortisation of operating intangibles	8	**33**	23
Acquired inventory fair value adjustments		**15**	15
Profits less losses on disposal of non-current assets		**(18)**	(4)
Depreciation of property, plant and equipment	9	**538**	544
Depreciation of right-of-use assets and non-cash lease adjustments	10	**289**	–
Impairment of property, plant and equipment and right-of-use assets		**15**	–
Transaction costs		**2**	2
Effect of hyperinflationary economies		**5**	6
Operating lease payments under property leases		**–**	310
Operating lease payments for hire of plant and equipment		**–**	20
Other operating income		**(27)**	(18)
Research and development expenditure		**31**	30
Fair value gains on financial assets and liabilities held for trading		**(97)**	(11)
Fair value losses on financial assets and liabilities held for trading		**69**	12
Foreign exchange gains on operating activities		**(51)**	(46)
Foreign exchange losses on operating activities		**59**	47

Transaction costs of £2m and amortisation of non-operating intangibles of £59m (2019 – £2m and £47m) shown as adjusting items in the income statement, include £nil and £3m respectively (2019 – £nil and £2m respectively) incurred by joint ventures, in addition to the amounts shown above.

Exceptional items

2020

Exceptional items of £156m comprise impairments of £116m in property, plant and equipment and right-of-use assets at Primark, an impairment of £23m in goodwill relating to Azucarera, charges of £22m relating to inventory in Primark and a £5m gain on the closure of our Speedibake Wakefield factory.

Our half year results were announced on 21 April and included an exceptional inventory impairment charge of £248m and an onerous contract provision of £36m. At the time of the interim announcement, the dates for the reopening of Primark stores were not known and more than half of the impairment charge related to stock already on display in the closed stores. The earlier reopening of the stores and subsequent successful trading of the spring/summer inventory avoided the need for this provision. At the year end a mark-down provision of £22m was created for inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic.

We have seen the benefits from the successful downsizing of three stores in the US and three stores in Germany; we have plans for several more stores in these markets and have recognised non-cash write-downs of £34m against property, plant and equipment and £82m against right-of-use assets. Further information is given in the property, plant and equipment note on page 161.

In the light of the beet volumes contracted by Azucarera in the second crop year after reducing the beet price paid to farmers, we have revised our forecasts for this business. This resulted in a £23m non-cash write-down of goodwill recorded in the Sugar and Europe & Africa operating segments. Further information is given in the intangibles note on pages 159 and 160.

Our Speedibake Wakefield factory was destroyed by fire in February and an exceptional charge of £25m was recognised in the half year results. This comprised an £18m non-cash write-down of property, plant and equipment, a £1m provision against inventory and £6m of closure costs. Net insurance proceeds of £30m were received in the second half, more than offsetting the exceptional charge recorded in the first half. The full year position is an exceptional gain of £5m recorded in the Grocery and United Kingdom operating segments.

2019

The prior year included £79m of exceptional items. 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 was recognised. As a result of a High Court ruling regarding the equalisation of Guaranteed Minimum Pensions in October 2018, a pension service cost of £14m was taken for members of the Company's UK defined benefit pension scheme for service between 1990 and 1997.

2. Operating costs continued

Auditor's remuneration	2020 £m	2019 £m
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	**1.5**	1.3
Audit of the Company's subsidiaries' financial statements	**6.6**	6.5
Total audit remuneration	**8.1**	7.8
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	**0.3**	0.4
Total non-audit related remuneration	**0.7**	0.8

3. Employees

	2020	2019
Average number of employees		
United Kingdom	**46,066**	48,011
Europe & Africa	**69,571**	71,922
The Americas	**5,627**	5,640
Asia Pacific	**12,161**	12,524
	133,425	138,097

	Note	£m	£m
Employee benefits expense			
Wages and salaries		**2,093**	2,298
Social security contributions		**278**	304
Contributions to defined contribution schemes	12	**79**	80
Charge for defined benefit schemes	12	**47**	54
Equity-settled share-based payment schemes	24	**8**	22
		2,505	2,758

Primark's major cost-reduction exercise during lockdown included accessing government job retention schemes across Europe. In total, Primark received some £98m. This has been recorded as a reduction to staff costs.

Details of directors' remuneration, share incentives and pension entitlements are shown in the Remuneration report on pages 110 to 121.

4. Interest and other financial income and expense

	Note	2020 £m	2019 £m
Finance income			
Cash and cash equivalents		**11**	15
		11	15
Finance expense			
Bank loans and overdrafts		**(29)**	(24)
All other borrowings		**(10)**	(16)
Lease liabilities		**(84)**	–
Finance leases		**–**	(1)
Other payables		**(1)**	(1)
		(124)	(42)
Other financial income/(expense)			
Interest income on employee benefit scheme assets	12	**83**	116
Interest charge on employee benefit scheme liabilities	12	**(80)**	(102)
Interest charge on irrecoverable surplus	12	**(1)**	(1)
Net financial income from employee benefit schemes		**2**	13
Net foreign exchange gains/(losses) on financing activities		**1**	(1)
Total other financial income		**3**	12

5. Income tax expense

	2020 £m	2019 £m
Current tax expense		
UK – corporation tax at 19% (2019 – 19%)	**57**	80
Overseas – corporation tax	**203**	229
UK – under/(over) provided in prior periods	**3**	(5)
Overseas – over provided in prior periods	**(4)**	(1)
	259	303
Deferred tax expense		
UK deferred tax	**5**	(7)
Overseas deferred tax	**(53)**	(11)
UK – under/(over) provided in prior periods	**3**	(5)
Overseas – under/(over) provided in prior periods	**7**	(3)
	(38)	(26)
Total income tax expense in income statement	**221**	277
Reconciliation of effective tax rate		
Profit before taxation	**686**	1,173
Less share of profit after tax from joint ventures and associates	**(57)**	(57)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**629**	1,116
Nominal tax charge at UK corporation tax rate of 19% (2019 – 19%)	**120**	212
Effect of higher and lower tax rates on overseas earnings	**18**	14
Effect of changes in tax rates on income statement	**13**	(1)
Expenses not deductible for tax purposes	**54**	37
Disposal of assets covered by tax exemptions or unrecognised capital losses	**1**	17
Deferred tax not recognised	**6**	12
Adjustments in respect of prior periods	**9**	(14)
	221	277
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**(15)**	(68)
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)
Deferred tax associated with movements in foreign exchange	**(1)**	–
Deferred tax associated with hyperinflationary economies	**–**	2
	(17)	(75)

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has accordingly been calculated at 19%. The effect of this change was a £6m tax charge in the income statement principally on the amortisation of non-operating intangibles and exceptional items and £3m tax charge recorded in other comprehensive income.

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 group has appealed against the European Commission's decision, as have the UK Government and a number of other UK companies. We have calculated our maximum potential liability to be £27m, 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 13.

6. Dividends

	2020 pence per share	2019 pence per share	2020 £m	2019 £m
2018 final	**–**	33.30	**–**	263
2019 interim	**–**	12.05	**–**	95
2019 final	**34.30**	–	**271**	–
	34.30	45.35	**271**	358

No 2020 interim dividend was paid this year and no final dividend is proposed.

There is no dividend relating to the period (2019 – 46.35p per share totalling £366m).

7. Earnings per share

The calculation of basic earnings per share at 12 September 2020 was based on the net profit attributable to equity shareholders of £455m (2019 – £878m), and a weighted average number of shares outstanding during the year of 790 million (2019 – 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 £59m (2019 – £2m and £47m) shown as adjusting items below include £nil and £3m respectively (2019 – £nil and £2m 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 (2019 – 790 million). There is no difference between basic and diluted earnings.

	2020 £m	2019 £m
Adjusted profit for the period	**641**	1,086
Disposal of non-current assets	**18**	4
Sale and closure of businesses	**(14)**	(94)
Acquired inventory fair value adjustments	**(15)**	(15)
Transaction costs	**(2)**	(2)
Exceptional items	**(156)**	(79)
Tax effect on above adjustments	**36**	15
Amortisation of non-operating intangibles	**(59)**	(47)
Tax credit on non-operating intangibles amortisation and goodwill	**6**	10
Profit for the period attributable to equity shareholders	**455**	878

	2020 pence	2019 pence
Adjusted earnings per share	**81.1**	137.5
Disposal of non-current assets	**2.3**	0.5
Sale and closure of businesses	**(1.8)**	(11.9)
Acquired inventory fair value adjustments	**(1.9)**	(1.9)
Transaction costs	**(0.3)**	(0.3)
Exceptional items	**(19.7)**	(10.0)
Tax effect on above adjustments	**4.6**	1.9
Amortisation of non-operating intangibles	**(7.5)**	(6.0)
Tax credit on non-operating intangibles amortisation and goodwill	**0.8**	1.3
Earnings per ordinary share	**57.6**	111.1

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 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
Acquisitions – externally purchased	–	–	–	–	–	–	74	74
Acquired through business combinations	6	7	7	1	–	–	–	21
Other disposals	–	–	–	–	–	–	(29)	(29)
Effect of hyperinflationary economies	4	–	–	–	–	–	–	4
Effect of movements in foreign exchange	(22)	(4)	(3)	–	(19)	(1)	10	(39)
At 12 September 2020	**1,281**	**210**	**441**	**281**	**103**	**5**	**547**	**2,868**
Amortisation and impairment								
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
Amortisation for the year	–	–	24	32	–	–	33	89
Impairment	23	–	–	–	–	–	–	23
Other disposals	–	–	–	–	–	–	(6)	(6)
Effect of movements in foreign exchange	2	(3)	(2)	(3)	(19)	(1)	3	(23)
At 12 September 2020	**115**	**204**	**363**	**182**	**103**	**5**	**267**	**1,239**
Net book value								
At 15 September 2018	1,210	–	77	134	–	–	211	1,632
At 14 September 2019	1,203	–	96	127	–	–	255	1,681
At 12 September 2020	**1,166**	**6**	**78**	**99**	**–**	**–**	**280**	**1,629**

Amortisation of non-operating intangibles of £59m (2019 – £47m) shown as an adjusting item in the income statement includes £3m (2019 – £2m) incurred by joint ventures in addition to the amounts shown above.

In addition to the amounts disclosed above, there are £2m (2019 – £2m) net book value of intangible assets classified as assets held for sale (see note 15).

Impairment

As at 12 September 2020, the consolidated balance sheet included goodwill of £1,166m (2019 – £1,203m). 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	**2020 £m**	2019 £m
Acetum	Grocery	12.5%	**98**	94
ACH	Grocery	11.5%	**187**	186
AB Mauri	Ingredients	13.9%	**285**	281
Twinings Ovaltine	Grocery	9.7%	**119**	119
Azucarera	Sugar	12.1%	**–**	24
Illovo	Sugar	20.0%	**98**	117
AB World Foods	Grocery	11.6%	**78**	78
Other (not individually significant)	Various	Various	**301**	304
			1,166	1,203

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 9.7% and 20.0% (2019 – between 9.2% and 22.2%).

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 6.5%, consistent with the inflation factors included in the discount rates applied (2019 – between 0% and 6%).

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.

Azucarera's operating performance improved significantly during the year and the business delivered a breakeven operating profit. This was achieved by a combination of higher sales prices, lower beet costs and a significant reduction in operating costs. In light of the beet volumes contracted by Azucarera in the second crop year after reducing the beet price, management has revised its forecasts for the business and 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 an impairment of the goodwill of €26m was required. CGU carrying value after impairment was €293m (2019 – headroom of €14m on a CGU carrying value of €307m). Estimates of long-term growth rates beyond the forecast periods were 2% (2019 – 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 value-in-use by plus or minus €13m (2019 – €9m); a change of 5% on long-term beet crop area impacts value-in-use by €15m (2019 – €25m); and increasing the discount rate used of 12.1% (2019 – 11.7%) to 12.3% causes value-in-use to reduce by €7m.

Trading in AB Mauri was very strong during the year and margins were strongly ahead. As a result of COVID-19 restrictions AB Mauri experienced a rapid and substantial increase in retail demand for yeast and bakery ingredients. Sales were also strong to industrial bakery customers but demand from foodservice and craft bakers was lower. Nevertheless, 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 $202m on a CGU carrying value of $831m (2019 – headroom of $361m on a CGU carrying value of $815m). 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 13.9% (2019 – 12.9%) and would have to increase to more than 16.2% (2019 – 16.8%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2–3% (2019 – 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 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
IFRS 16 opening balance adjustment	(28)	(1)	(6)	–	–	(35)
Acquisitions – externally purchased	22	90	147	278	10	547
Other disposals	(20)	(76)	(7)	–	–	(103)
Transfers from assets under construction	12	127	34	(173)	–	–
Effect of movements in foreign exchange	(2)	(72)	69	2	(13)	(16)
At 12 September 2020	**2,743**	**4,035**	**4,014**	**369**	**84**	**11,245**
Depreciation and impairment						
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
IFRS 16 opening balance adjustment	(10)	(1)	(4)	–	–	(15)
Depreciation for the year	50	186	292	–	10	538
Impairment	5	26	34	–	–	65
Impairment on sale and closure of business	–	2	–	–	–	2
Other disposals	(15)	(73)	(4)	–	–	(92)
Effect of movements in foreign exchange	1	(43)	62	–	(7)	13
At 12 September 2020	**721**	**2,682**	**2,148**	**–**	**43**	**5,594**
Net book value						
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
At 12 September 2020	**2,022**	**1,353**	**1,866**	**369**	**41**	**5,651**

In addition to the amounts disclosed above, there are £30m (2019 – £29m) of property, plant and equipment classified as assets held for sale (see note 15). Of this, £13m (2019 – £13m) is freehold land and buildings.

	2020 £m	2019 £m
Net book value of finance lease assets	**–**	12
Land and buildings at net book value comprise:		
– freehold	**1,661**	1,673
– long leasehold	**102**	111
– short leasehold	**259**	285
	2,022	2,069
Capital expenditure commitments – contracted but not provided for	**334**	469

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 December 2018, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This was expected to result in a significant reduction in bread volumes from late 2019, 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, which resulted in an exceptional impairment charge of £65m, allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

Following our announcement in July 2020 of the loss of the Co-op contract we reviewed the carrying values of our distribution assets, which resulted in a non-cash asset write-off of certain assets of £15m recorded in adjusted operating profit with £13m allocated to plant and equipment and £2m to right-of-use-assets.

Of the methodologies available to assess impairment, the group applied the 'fair value less costs of disposal' approach in the current and prior year 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 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 10.5%. Management concluded that no impairment was required.

Headroom was £15m on a CGU carrying value of £105m (2019 – headroom of £9m on a CGU carrying value of £160m). Estimates of long-term growth rate beyond the forecast periods were 0.4% per annum. A sensitivity of plus or minus 1% on bread prices impacts headroom by plus or minus £18m (2019 – £12m). A sensitivity of plus or minus 1% on bread volumes impacts headroom by plus or minus £7m (2019 – £8m).

Our Speedibake Wakefield factory was destroyed by fire in February and part of the exceptional item recognised was an £18m impairment of the related property, plant and equipment.

For AB Sugar China, a return to normal yields after a very poor crop in 2019 and higher sugar sales prices resulted in a much-improved operating result, although still a marginal loss, resulting in the continuing need for an impairment assessment. 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 £16m on a CGU carrying value of £74m (2019 – headroom of £14m on £81m). Estimates of long-term growth rates beyond the forecast periods were 2% (2019 – 2%). The discount rate used was 10.0% (2019 – 11.9%) and would have to increase to 11.7% (2019 – 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. A sensitivity of plus or minus 2% in the sugar sales price impacts headroom by plus or minus £16m (2019 – £14m). A sensitivity of plus or minus 5% on beet price impacts headroom by plus or minus £22m (2019 – £22m). A change of 1% on long-term beet crop area increases or decreases headroom by £2m (2019 – £10m).

An impairment of A$150m (£98m) was recorded in 2012 in the Australian meat 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$61m on a CGU carrying value of A$346m (2019 – headroom of A$120m on a CGU carrying value of A$304m). The discount rate used was 10.7% (2019 – 10.4%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2019 – 2.0%) per annum. A sensitivity of plus or minus 1% on the discount rate decreases/increases headroom by A$38m and A$47m respectively (2019 – A$63m and A$63m respectively).

In Primark, we have seen the benefits from the successful downsizing of three stores in the US and three stores in Germany; we have plans for several more stores in these markets and have considered impairment risk accordingly. Detailed forecasts for a period of five years were prepared on a store-by-store basis. The impairment models assume an improvement in sales densities in year 2 with further growth in years 3-5. Estimates of long-term growth rates beyond the forecast periods were 2.0% per annum. Key assumptions were revenue growth, sales density projections, assumptions on operating costs and discount rates. Management no longer expects to realise the sales densities required to generate sufficient levels of operating cash flows to support the carrying value of certain store assets.

The discount rates used were 7.1% for the US and between 6.7% and 8.3% for Germany. An aggregate exceptional impairment charge of £116m was recorded in the income statement, with £34m allocated to plant and equipment and £82m to right-of-use-assets. The remaining carrying value of these stores after impairment was £62m.

A sensitivity of plus or minus 5% on operating cash flows impacts value-in-use by plus or minus £3m. A sensitivity of plus or minus 1% on the discount rate decreases/increases value-in-use by £7m and £10m respectively.

10. Leases

The group adopted IFRS 16 *Leases* on 15 September 2019. Refer to the Significant accounting policies.

Most of the group's right-of-use assets are associated with our leased property portfolio in the Retail segment.

Right-of-use assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
IFRS 16 opening balance adjustment at 15 September 2019	3,170	33	1	3,204
Additions	165	13	–	178
Lease incentives	(35)	–	–	(35)
Other movements	(18)	1	–	(17)
Effect of movements in foreign exchange	63	–	–	63
At 12 September 2020	**3,345**	**47**	**1**	**3,393**
Depreciation and impairment				
Depreciation for the year	291	16	1	308
Impairment	85	1	–	86
Effect of movements in foreign exchange	9	–	–	9
At 12 September 2020	**385**	**17**	**1**	**403**
Net book value				
IFRS 16 opening balance adjustment at 15 September 2019	3,170	33	1	3,204
At 12 September 2020	**2,960**	**30**	**–**	**2,990**

Impairment

The methodology used to assess right-of-use assets for impairment is the same as that described for impairment assessments of goodwill. See note 8 for further details.

In the year there was an £86m impairment charge, of which £82m related to Primark (included within exceptional items), £2m related to Allied Bakeries (included within operating profit) and £2m related to Jasol New Zealand (included within loss on closure of business). See note 9 for further details.

Lease liabilities

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
IFRS 16 opening balance adjustment at 15 September 2019	3,641	36	1	3,678
Additions	165	13	–	178
Interest expense	83	1	–	84
Repayments	(299)	(15)	(1)	(315)
Other movements	(36)	–	–	(36)
Effect of movements in foreign exchange	66	–	–	66
At 12 September 2020	**3,620**	**35**	**–**	**3,655**

Current	313
Non-current	3,342
	3,655

Lease liabilities comprise £3,639m capital payable and £16m interest payable; the interest payable is all current and disclosed within trade and other payables on the face of the balance sheet. Repayments comprise £247m capital and £68m interest.

10. Leases continued

Other information

The group had the following expense relating to short-term and low value leases:

	2020 £m
Land and buildings	**2**
Plant and machinery	**2**
Fixtures and fittings	**1**
Total expense	**5**

£1m of variable lease payments, which are not part of lease liabilities, were expensed in the year. £1m of variable lease payments are expected to be made in the next 12 months.

Rental receipts of £7m (2019 – £8m) 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 £38m (2019 – £50m). £9m of this is due to be received in respect of sub-leasing right-of-use assets.

11. Investments in joint ventures and associates

	Joint ventures £m	Associates £m
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
Acquisitions	–	1
Profit for the period	46	11
Dividends received	(38)	(5)
Effect of movements in foreign exchange	–	(1)
At 12 September 2020	**233**	**56**

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Non-current assets	**145**	149	**33**	22
Current assets	**372**	383	**224**	188
Current liabilities	**(258)**	(259)	**(199)**	(157)
Non-current liabilities	**(45)**	(67)	**(3)**	(4)
Goodwill	**19**	19	**1**	1
Net assets	**233**	225	**56**	50
Revenue	**1,445**	1,507	**792**	589
Profit for the period	**46**	49	**11**	8

12. 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% (2019 – 91%) of the group's defined benefit scheme assets and 88% (2019 – 87%) 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 latest triennial valuation at 5 April 2020 has not yet been finalised.

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 73% of inflation sensitivity and 25% 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 impacted 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 adopted method C2 to identify its best estimate of the additional liabilities. These were charged as a past service cost in the income statement in the prior year, with subsequent changes accounted for in other comprehensive income. The past service cost was 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 was 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 £40m in the UK and £39m overseas, totalling £79m (2019 – UK £39m, overseas £41m, totalling £80m).

Actuarial assumptions

The principal actuarial assumptions for the group's defined benefit schemes at the year end were:

	2020 UK %	**2020 Overseas %**	2019 UK %	2019 Overseas %
Discount rate	**1.6**	**0-14.8**	2.0	0.1-13.7
Inflation	**2.2-3.3**	**0-12.0**	2.3-3.3	0-15.0
Rate of increase in salaries	**3.2-4.3**	**0-12.0**	3.3-4.3	0-20.0
Rate of increase for pensions in payment	**2.0-3.1**	**0-12.0**	2.1-3.1	0-28.0
Rate of increase for pensions in deferment (where provided)	**2.2-2.3**	**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.

12. 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 a 106% weighting for males and a 96% weighting for females, and future improvements in line with the CMI-2018 projections model for the 2020 year end (compared to the CMI-2017 projections model for the 2019 year end) prepared by the Continuous Mortality Investigation of the UK actuarial profession, both with a long-term trend of 1.5% (2019 – 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:

	2020		2019	
Life expectancy from age 65 (in years)	**Male**	**Female**	Male	Female
Member aged 65 in 2020 (2019)	**21.6**	**24.3**	21.8	24.5
Member aged 65 in 2040 (2039)	**23.3**	**26.1**	23.5	26.3

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 12 September 2020 is:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.25%	increase by 4.5%/decrease by 4.2%
Inflation	increase/decrease by 0.25%	increase by 3.3%/decrease by 3.2%
Rate of real increase in salaries	increase/decrease by 0.25%	increase/decrease by 0.7%
Rate of mortality	reduce/increase by one year	increase/decrease by 4.2%

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

	2020			2019		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Equities	**1,115**	**189**	**1,304**	1,346	180	1,526
Government bonds	**755**	**52**	**807**	693	51	744
Corporate and other bonds	**715**	**62**	**777**	433	67	500
Property	**345**	**26**	**371**	350	23	373
Cash and other assets	**831**	**63**	**894**	1,000	63	1,063
Scheme assets	**3,761**	**392**	**4,153**	3,822	384	4,206
Scheme liabilities	**(3,705)**	**(501)**	**(4,206)**	(3,640)	(524)	(4,164)
Aggregate net surplus/(deficit)	**56**	**(109)**	**(53)**	182	(140)	42
Irrecoverable surplus*	**–**	**(13)**	**(13)**	–	(9)	(9)
Net pension asset/(liability)	**56**	**(122)**	**(66)**	182	(149)	33
Analysed as						
Schemes in surplus	**94**	**6**	**100**	220	8	228
Schemes in deficit	**(38)**	**(128)**	**(166)**	(38)	(157)	(195)
	56	**(122)**	**(66)**	182	(149)	33
Unfunded liability included in the present value of scheme liabilities above	**(38)**	**(64)**	**(102)**	(38)	(67)	(105)

* 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.

The UK pension plan scheme assets include £235m (2019 – £270m) of derivative instruments, £440m (2019 – £393m) of corporate debt instruments and £710m (2019 – £759m) of government debt.

Corporate and other bonds relating to UK schemes of £715m (2019 – £433m) include £187m (2019 – £nil) 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 30 June market valuation, adjusted for purchases, disposals and price indexation between the valuation and the balance sheet dates. Cash and other assets contains £570m (2019 – £514m) of assets whose valuation is not derived from quoted market prices.

12. Employee entitlements continued

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.

The defined benefit scheme liabilities comprise 25% (2019 – 30%) in respect of active participants, 24% (2019 – 21%) for deferred participants and 51% (2019 – 49%) 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 (2019 – 18 years for both UK and overseas schemes).

Income statement

The charge to the income statement for employee benefit schemes comprises:

	2020 £m	2019 £m
Charged to operating profit:		
Defined benefit schemes		
Current service cost	**(47)**	(41)
Past service cost	–	(13)
Defined contribution schemes	**(79)**	(80)
Total operating cost	**(126)**	(134)
Reported in other financial income/(expense):		
Net interest income on the net pension asset	**3**	14
Interest charge on irrecoverable surplus	**(1)**	(1)
Net impact on profit before tax	**(124)**	(121)

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £34m (2019 – £36m) and benefits paid in respect of unfunded schemes of £3m (2019 – £14m). Contributions to funded defined benefit schemes are subject to periodic review. Contributions to defined contribution schemes amounted to £79m (2019 – £80m).

Total contributions to funded schemes and benefit payments by the group in respect of unfunded schemes in 2021 are currently expected to be approximately £31m in the UK and £11m overseas, totalling £42m (2019 – UK £30m, overseas £10m, totalling £40m).

Other comprehensive income

Remeasurements of the net asset recognised in other comprehensive income are as follows:

	2020 £m	2019 £m
Return on scheme assets excluding amounts included in net interest in the income statement	**(13)**	119
Actuarial losses arising from changes in financial assumptions	**(144)**	(585)
Actuarial gains arising from changes in demographic assumptions	**44**	28
Experience gains on scheme liabilities	**29**	20
Change in unrecognised surplus	**(5)**	11
Remeasurements of the net pension asset	**(89)**	(407)

Reconciliation of change in assets and liabilities

	2020 assets £m	2019 assets £m	**2020 liabilities £m**	2019 liabilities £m	**2020 net £m**	2019 net £m
At beginning of year	**4,206**	4,082	**(4,164)**	(3,630)	**42**	452
Current service cost	**–**	–	**(47)**	(41)	**(47)**	(41)
Employee contributions	**7**	9	**(7)**	(9)	**–**	–
Employer contributions	**34**	50	**–**	–	**34**	50
Benefit payments	**(165)**	(179)	**168**	179	**3**	–
Past service cost	**–**	–	**–**	(13)	**–**	(13)
Interest income/(expense)	**83**	116	**(80)**	(102)	**3**	14
Return on scheme assets less interest income	**(13)**	119	**–**	–	**(13)**	119
Actuarial losses arising from changes in financial assumptions	**–**	–	**(144)**	(585)	**(144)**	(585)
Actuarial gains arising from changes in demographic assumptions	**–**	–	**44**	28	**44**	28
Experience gains on scheme liabilities	**–**	–	**29**	20	**29**	20
Businesses acquired	**–**	–	**–**	(1)	**–**	(1)
Effect of movements in foreign exchange	**1**	9	**(5)**	(10)	**(4)**	(1)
At end of year	**4,153**	4,206	**(4,206)**	(4,164)	**(53)**	42

12. Employee entitlements continued

Reconciliation of change in irrecoverable surplus

	2020 £m	2019 £m
At beginning of year	**(9)**	(17)
Change recognised in other comprehensive income	**(5)**	11
Interest charge on irrecoverable surplus	**(1)**	(1)
Effect of movements in foreign exchange	**2**	(2)
At end of year	**(13)**	(9)

13. Deferred tax assets and liabilities

	Property, plant and equipment £m	Intangible assets £m	Leases (IFRS 16) £m	Employee benefits £m	Financial assets and liabilities £m	Provisions and other temporary differences £m	Tax value of carry-forward losses £m	Total £m
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
IFRS 16 opening balance adjustment	–	–	(62)	–	–	21	–	(41)
Amount credited to the income statement	(5)	(9)	(28)	–	–	(8)	(1)	(51)
Amount credited to equity	–	–	–	(19)	–	(2)	–	(21)
Acquired through business combinations	–	2	–	–	–	–	1	3
Effect of changes in tax rates on income statement	13	3	(1)	(1)	–	(1)	–	13
Effect of changes in tax rates on equity	–	–	–	4	–	–	–	4
Effect of hyperinflationary economies taken to operating profit	2	–	–	–	–	–	–	2
Effect of movements in foreign exchange	(11)	(1)	(2)	–	–	–	2	(12)
At 12 September 2020	**141**	**90**	**(93)**	**(16)**	**(2)**	**(90)**	**(32)**	**(2)**

Provisions and other temporary differences include provisions of £(91)m, biological assets of £27m, tax credits of £(21)m and other temporary differences of £(5)m.

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:

	2020 £m	2019 £m
Deferred tax assets	**(212)**	(160)
Deferred tax liabilities	**210**	261
	(2)	101

Deferred tax assets have not been recognised in respect of tax losses of £238m (2019 – £281m) and other temporary differences of £119m (2019 – £101m). Of the total tax losses, £162m (2019 – £205m) will expire at various dates between 2020 and 2025. These deferred tax assets have not been recognised on the basis that their future economic benefit is not probable.

In addition, the group's overseas subsidiaries have net unremitted earnings of £2,497m (2019 – £3,136m), resulting in temporary differences of £1,010m (2019 – £1,127m). 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.

14. Trade and other receivables

	2020 £m	2019 £m
Non-current – other receivables		
Loans and receivables	**39**	44
Other non-current investments	**6**	7
	45	51
Current – trade and other receivables		
Trade receivables	**1,022**	1,080
Other receivables	**159**	150
Accrued income	**15**	14
	1,196	1,244
Prepayments and other non-financial receivables	**132**	192
	1,328	1,436

In addition to the amounts disclosed above, there are £4m (2019 – £6m) of trade and other receivables classified as assets held for sale (see note 15).

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 26.

Trade and other receivables include £40m (2019 – £44m) in respect of finance lease receivables, with £35m in non-current loans and receivables and £5m in current other receivables (2019 – £39m 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 £17m in more than five years (2019 – £5m within one year, £18m between one and five years and £21m 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).

15. Assets and liabilities classified as held for sale

In the prior year 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. Completion is expected early in the new financial year. As a consequence, the businesses were classified as a disposal group at year end and in the prior year. It does not qualify as a discontinued operation.

	2020 £m	2019 £m
Assets classified as held for sale		
Intangible assets	**2**	2
Property, plant and equipment	**30**	29
Inventories	**5**	6
Trade and other receivables	**4**	6
Cash and cash equivalents	**2**	–
	43	43
Liabilities classified as held for sale		
Trade and other payables	**5**	6
	5	6

16. Inventories

	2020 £m	2019 £m
Raw materials and consumables	**429**	387
Work in progress	**53**	69
Finished goods and goods held for resale	**1,668**	1,930
	2,150	2,386
Write-down of inventories	**(96)**	(115)

In addition to the amounts disclosed above, there are £5m (2019 – £6m) of inventories classified as assets held for sale (see note 15).

17. Biological assets

	Growing cane £m	Other £m	Total £m
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
Transferred to inventory	(93)	(10)	(103)
Purchases	–	1	1
Changes in fair value	93	11	104
Effect of movements in foreign exchange	(14)	–	(14)
At 12 September 2020	**66**	**6**	**72**

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 12 September 2020:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	6,834	19,019	17,167	8,549	9,076	5,724
Estimated yield (tonnes cane/hectare)	68.7	107.0	108.5	102.0	77.5	87.0
Average maturity of growing cane	46.5%	67.4%	65.7%	67.0%	46.2%	71.6%

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%

A 1% change in the unobservable inputs could increase or decrease the fair value of growing cane as follows:

	2020		2019	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Estimated sucrose content	**1.0**	**(1.0)**	1.1	(1.1)
Estimated sucrose price	**1.3**	**(1.3)**	1.4	(1.4)

18. Cash and cash equivalents

	Note	**2020 £m**	2019 £m
Cash			
Cash at bank and in hand		**718**	643
Cash equivalents		**1,280**	852
Cash and cash equivalents	26	**1,998**	1,495
Reconciliation to the cash flow statement			
Bank overdrafts	19	**(89)**	(137)
Cash and cash equivalents in the cash flow statement		**1,909**	1,358
Cash and cash equivalents on the face of the balance sheet		**1,996**	1,495
Cash and cash equivalents classified as held for sale	15	**2**	–
		1,998	1,495

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.

19. Loans and overdrafts

	Note	2020 £m	2019 £m
Current loans and overdrafts			
Secured loans		**4**	9
Unsecured loans and overdrafts		**150**	217
Finance leases		**–**	1
		154	227
Non-current loans			
Secured loans		**1**	1
Unsecured loans		**317**	347
Finance leases		**–**	13
		318	361
	26	**472**	588

	Note	2020 £m	2019 £m
Secured loans			
– Other floating rate		**5**	10
Unsecured loans and overdrafts			
– Bank overdrafts	18	**89**	137
– GBP fixed rate		**101**	104
– USD floating rate		**6**	29
– USD fixed rate		**235**	241
– EUR floating rate		**13**	29
– Other floating rate		**21**	23
– Other fixed rate		**2**	1
Finance leases (fixed rate)		**–**	14
		472	588

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.

20. Trade and other payables

	2020 £m	2019 £m
Current – trade and other payables		
Trade payables	**909**	1,153
Accruals	**943**	1,023
	1,852	2,176
Deferred income and other non-financial payables	**464**	380
	2,316	2,556
Non-current – other payables		
Accruals	**–**	271

In addition to the amounts disclosed above, there are £5m (2019 - £6m) of trade and other payables classified as liabilities held for sale (see note 15).

For payables with a remaining life of less than one year, carrying amount is deemed to reflect fair value.

21. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 14 September 2019	74	18	26	118
IFRS 16 opening balance adjustment	(10)	–	–	(10)
Created	58	6	74	138
Utilised	(31)	(1)	(3)	(35)
Released	(5)	(3)	(40)	(48)
Effect of movements in foreign exchange	–	–	1	1
At 12 September 2020	**86**	**20**	**58**	**164**
Current	70	4	49	123
Non-current	16	16	9	41
	86	**20**	**58**	**164**

Financial liabilities within provisions comprised deferred consideration in both years (see note 26).

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 onerous contract provisions, 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.

22. Share capital and reserves

Share capital
At 14 September 2019 and 12 September 2020, 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.

23. Acquisitions and disposals

Acquisitions

2020

In December 2019, the group's Grocery business in the UK acquired Al'Fez, a Middle Eastern food brand with customers in the UK and Europe. In the second half of the year the group acquired two small Agriculture businesses in Europe and the group's Ingredients business acquired Larodan, a Swedish manufacturer and international marketer of state-of-the-art, high-purity research-grade lipids that will expand our research and product development capabilities to better serve the pharmaceutical, nutritional and industrial market sectors.

Total consideration for these acquisitions was £19m, comprising £16m cash consideration and £3m deferred consideration. Net assets acquired comprised non-operating intangible assets of £15m, which were recognised with their related deferred tax of £3m, and £1m of other operating assets. Goodwill of £6m resulted from these acquisitions.

2019

The group's Grocery business completed the acquisitions of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia and Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients, to further 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 Italmill, an Italian bakery ingredients producer as part of the Ingredients business.

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
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 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.

23. Acquisitions and disposals continued

Disposals

2020

In 2020 the group announced the closure of the Cake business in the Grocery segment in Australia and the Jasol New Zealand business in the Ingredients segment, with £10m included in loss on closure of business, comprising £2m non-cash impairment of property, plant and equipment, £2m non-cash impairment of right-of-use assets and £6m of restructuring provisions.

The group also sold a small business in China, reported within the Asia Pacific and Grocery segments. Cash proceeds amounted to £2m on £1m of net assets disposed, resulting in a pre-tax profit on disposal of £1m.

Warranty provisions of £1m relating to disposals made in previous years were no longer required and were released to sale and closure of business in the Americas and Ingredients segments. The group also charged a £6m onerous lease provision to sale and closure of business (in the Central and UK segments) in respect of guarantees given on property leases assigned to third parties that the group expects to be required to honour.

2019

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.

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 was included in loss on closure of businesses, comprising £56m of goodwill and £32m of property, plant and equipment.

In addition £4m of warranty and restructuring provisions relating to disposals made in previous years were 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.

24. 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 110 to 121.

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
2020	4,660,667	1,970,377	(993,955)	(606,729)	5,030,360
2019	3,675,370	1,922,795	(475,947)	(461,551)	4,660,667

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 12 September 2020 the Trust held 1,787,959 (2019 – 2,781,914) ordinary shares of the Company. The market value of these shares at the year end was £35m (2019 – £65m). The Trust has waived its right to dividends. Movements in the year were releases of 993,955 shares and no purchases (2019 – releases of 475,947 shares and purchases of 1,032,156 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 2,327p (2019 – 2,335p) and the weighted average share price was 2,502p (2019 – 2,511p). The dividend yield used was 2.5% (2019 – 2.5%).

25. Analysis of cash/(debt)

	At 14 September 2019 £m	IFRS 16 transition £m	Cash flow £m	Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	**At 12 September 2020 £m**
Cash at bank and in hand, cash equivalents and overdrafts	1,358	–	557	–	–	(6)	**1,909**
Current asset investments	29	–	2	–	–	1	**32**
Short-term loans	(90)	1	43	–	(23)	4	**(65)**
Long-term loans	(361)	13	2	–	23	5	**(318)**
Lease liabilities	–	(3,678)	247	1	(143)	(66)	**(3,639)**
	936	(3,664)	851	1	(143)	(62)	**(2,081)**

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. £89m (2019 – £137m) of bank overdrafts that are repayable on demand 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.

26. Financial instruments

Financial instruments include £3m (2019 – £5m) of trade and other receivables and £5m (2019 – £5m) of trade and other payables which are classified as held for sale, see note 15. 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

	2020 £m	2019 £m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**1,998**	1,495
Current asset investments	**32**	29
Trade and other receivables	**1,199**	1,249
Other non-current receivables	**39**	44
At fair value through other comprehensive income		
Investments	**6**	7
At fair value through profit or loss		
Derivative assets not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**10**	12
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**14**	17
– cross-currency swaps	**60**	64
– commodity derivatives	**18**	6
Total financial assets	**3,376**	2,923
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**(1,857)**	(2,452)
Secured loans	**(5)**	(10)
Unsecured loans and overdrafts (fair value 2020 – £498m; 2019 – £599m)	**(467)**	(564)
Lease liabilities (fair value 2020 – £3,807m)	**(3,639)**	–
Finance leases (fair value 2019 – £20m)	**–**	(14)
Deferred consideration	**(20)**	(18)
At fair value through profit or loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**(16)**	(2)
– commodity derivatives	**(1)**	(1)
Designated net investment hedging relationships		
Derivative liabilities designated as net investment hedging instruments:		
– cross-currency swaps	**(27)**	(23)
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**(22)**	(18)
– commodity derivatives	**(21)**	(8)
Total financial liabilities	**(6,075)**	(3,110)
Net financial liabilities	**(2,699)**	(187)

Except where stated, carrying amount is equal to fair value.

26. 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.

	2020				2019			
	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)	**814**	**–**	**24**	**24**	1,268	–	29	29
Cross-currency swaps	**254**	**–**	**60**	**60**	271	–	64	64
Commodity derivatives	**183**	**6**	**12**	**18**	149	1	5	6
	1,251	**6**	**96**	**102**	1,688	1	98	99
Financial liabilities								
Currency derivatives (excluding cross-currency swaps)	**1,113**	**–**	**(38)**	**(38)**	905	–	(20)	(20)
Cross-currency swaps	**217**	**–**	**(27)**	**(27)**	214	–	(23)	(23)
Commodity derivatives	**139**	**(4)**	**(18)**	**(22)**	103	–	(9)	(9)
	1,469	**(4)**	**(83)**	**(87)**	1,222	–	(52)	(52)

26. 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.

	2020				2019			
	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	**1**	**1**	**6**	**8**	(3)	9	(20)	(14)
(Gains)/losses recognised in the hedging reserve	**(4)**	**4**	**18**	**18**	(54)	(22)	33	(43)
Ineffective hedges recognised in the income statement	**21**	**–**	**–**	**21**	–	–	–	–
Amount removed from the hedging reserve and included in the income statement:								
– revenue	**(1)**	**–**	**1**	**–**	(1)	–	–	(1)
– cost of sales	**–**	**–**	**(18)**	**(18)**	–	–	(3)	(3)
– other financial income/expense	**–**	**(6)**	**–**	**(6)**	–	12	–	12
Amount removed from the hedging reserve and included in a non-financial asset:								
– inventory	**(12)**	**–**	**(6)**	**(18)**	60	–	4	64
Deferred tax	**(1)**	**–**	**1**	**–**	(1)	2	(8)	(7)
Effect of movements in foreign exchange	**2**	**–**	**–**	**2**	–	–	–	–
Closing balance	**6**	**(1)**	**2**	**7**	1	1	6	8
Cash flows are expected to occur:								
– within six months	**6**	**–**	**1**	**7**	(1)	–	5	4
– between six months and one year	**–**	**–**	**1**	**1**	2	–	1	3
– between one and two years	**–**	**–**	**–**	**–**	–	1	–	1
– between two and five years	**–**	**(1)**	**–**	**(1)**	–	–	–	–
– after five years	**–**	**–**	**–**	**–**	–	–	–	–
	6	**(1)**	**2**	**7**	1	1	6	8

Of the closing balance of £7m, £7m is attributable to equity shareholders and £nil to non-controlling interests (2019 – £8m, £9m is attributable to equity shareholders and £(1)m to non-controlling interests). Of the net movement in the year of £(1)m, £(2)m is attributable to equity shareholders and £1m to non-controlling interests (2019 – £22m, £22m 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 (2019 – £2m).

The balance in the cost of hedging reserve was not significant as at 14 September 2019 or at 12 September 2020.

26. 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 (2019 – $nil) 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 (2019 – gain of £1m) 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 cross currency swaps that have been designated as hedges of its net investments in euros, whose change in fair value of £4m has been debited to the translation reserve, all of which was attributable to equity shareholders (2019 – £2m has been credited to the translation reserve).

26. 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 (typically 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 £15m (2019 - £28m) and (£14m) (2019 – (£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 12 September 2020, £338m (72%) (2019 – £360m and 61%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £336m (2019 – £345m).

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 179.

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.

26. 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;
- 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.

	2020					
	Contract notional £m	**Carrying amount assets/ (liabilities) £m**	**Furthest 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)	**1,205**	**(8)**	**Sep 21**	**100%**	**(10)**	**10**
– commodity derivatives	**317**	**1**	**Sep 21**	**100%**	**1**	**(1)**
Non-current						
Designated cash flow hedging relationships						
– currency derivatives (excluding cross-currency swaps)	**25**	**–**	**Feb 22**	**100%**	**–**	**–**
– cross-currency swaps	**254**	**60**	**Mar 24**	**100%**	**(3)**	**3**
– commodity derivatives	**1**	**–**	**Jan 22**	**100%**	**–**	**–**
Designated net investment hedging relationships						
– currency derivatives (cross-currency swaps)	**217**	**(27)**	**Mar 24**	**100%**	**(5)**	**5**

	2019					
	Contract notional £m	Carrying amount assets/ (liabilities) £m	Furthest 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%	–	–

26. Financial instruments continued

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 12 September 2020, FX forwards designated as cash flow hedges equal to £1,230m were outstanding. These are largely in relation to purchases of USD (£695m) and sales of EUR (£223m) with varying maturities up to February 2022. Weighted average hedge rates for these contracts are GBPUSD: 1.287, EURUSD: 1.165 and GBPEUR: 1.112. 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 January 2022.

The analysis of the group's foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

	2020				
	Sterling £m	**US dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**1**	**103**	**11**	**74**	**189**
Trade and other receivables	**–**	**39**	**50**	**15**	**104**
	1	**142**	**61**	**89**	**293**
Financial liabilities					
Trade and other payables	**(21)**	**(351)**	**(34)**	**(8)**	**(414)**
Unsecured loans and overdrafts	**–**	**(235)**	**–**	**–**	**(235)**
	(21)	**(586)**	**(34)**	**(8)**	**(649)**
Currency derivatives					
Gross amounts receivable	**69**	**1,353**	**58**	**232**	**1,712**
Gross amounts payable	**(6)**	**(211)**	**(504)**	**(103)**	**(824)**
	63	**1,142**	**(446)**	**129**	**888**
	43	**698**	**(419)**	**210**	**532**

	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

The following major exchange rates applied during the year:

	Average rate		Closing rate	
	2020	2019	**2020**	2019
US dollar	**1.27**	1.28	**1.28**	1.25
Euro	**1.14**	1.13	**1.08**	1.12
Rand	**20.53**	18.32	**21.40**	18.08
Renminbi	**8.94**	8.78	**8.74**	8.82
Australian dollar	**1.88**	1.81	**1.76**	1.81

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.

26. Financial instruments continued

Sensitivity analysis

10% strengthening against other currencies of	**2020 impact on profit for the year £m**	**2020 impact on total equity £m**	2019 impact on profit for the year £m	2019 impact on total equity £m
Sterling	**(1)**	**3**	–	6
US dollar	**(4)**	**79**	23	96
Euro	**–**	**(44)**	7	(35)
Other	**10**	**20**	3	18

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	**2020 impact on profit for the year £m**	2019 impact on profit for the year £m
US dollar	**(14)**	(17)
Euro	**(1)**	(37)
Rand	**1**	–
Renminbi	**(2)**	10
Australian dollar	**(4)**	(4)

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 12 September 2020. The group considers its maximum exposure to credit risk to be:

	2020 £m	2019 £m
Cash and cash equivalents	**1,998**	1,495
Current asset investments	**32**	29
Trade and other receivables	**1,199**	1,249
Other non-current receivables	**39**	44
Investments	**6**	7
Derivative assets at fair value through profit and loss	**10**	12
Derivative assets in designated cash flow hedging relationships	**65**	64
	3,349	2,900

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	Commodity £m	Total £m
A+	–	–	–	16	–	16
AA-	30	–	3	–	–	33
A	–	–	–	17	–	17
BBB+	–	–	1	–	1	2
BBB	–	3	–	–	–	3
BB-	–	–	1	–	–	1
As at 12 September 2020	**30**	**3**	**5**	**33**	**1**	**72**

Cash of £718m, cash equivalents of £1,277m and current asset investments of £2m have been excluded from this analysis as they are available on demand.

26. 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:

	2020 £m	2019 £m
UK	**408**	425
Europe & Africa	**319**	340
The Americas	**160**	175
Asia Pacific	**313**	309
	1,200	1,249

Trade receivables can be analysed as follows:

	2020 £m	2019 £m
Not overdue	**934**	965
Up to one month past due	**66**	82
Between one and two months past due	**12**	16
Between two and three months past due	**8**	8
More than three months past due	**31**	37
Expected loss provision	**(27)**	(24)
	1,024	1,084

Trade receivables are stated net of the following expected loss provision:

	2020 £m	2019 £m
Opening balance	**24**	23
Increase charged to the income statement	**9**	7
Amounts released	**(1)**	(3)
Amounts written off	**(4)**	(3)
Effect of movements in foreign exchange	**(1)**	–
Closing balance	**27**	24

No trade receivables were written off directly to the income statement in either year.

26. 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.

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 186.

The following table analyses the contractual undiscounted cash flows relating to financial liabilities at the balance sheet date and compares them to carrying amounts:

					2020			
	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	20	**(1,837)**	**(20)**	**–**	**–**	**–**	**(1,857)**	**(1,857)**
Secured loans	19	**(4)**	**–**	**–**	**(1)**	**–**	**(5)**	**(5)**
Unsecured loans and overdrafts	19	**(110)**	**(58)**	**(245)**	**(85)**	**–**	**(498)**	**(467)**
Lease liabilities	10	**(186)**	**(189)**	**(385)**	**(1,099)**	**(2,883)**	**(4,742)**	**(3,639)**
Deferred consideration	21	**(2)**	**(1)**	**(3)**	**(15)**	**–**	**(21)**	**(20)**
Derivative financial liabilities								
– Currency derivatives (excluding cross-currency swaps) (net payments)		**(33)**	**(4)**	**–**	**–**	**–**	**(37)**	**(38)**
– Commodity derivatives (net payments)		**(20)**	**(2)**	**–**	**–**	**–**	**(22)**	**(22)**
Total financial liabilities		**(2,192)**	**(274)**	**(633)**	**(1,200)**	**(2,883)**	**(7,182)**	**(6,048)**

26. Financial instruments continued

	Note	2019 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	20	(2,074)	(100)	(27)	(80)	(171)	(2,452)	(2,452)
Secured loans	19	(5)	(4)	–	(1)	–	(10)	(10)
Unsecured loans and overdrafts	19	(187)	(43)	(38)	(328)	–	(596)	(564)
Finance leases	10	(1)	(1)	(1)	(2)	(35)	(40)	(14)
Deferred consideration	21	–	(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)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 12 September 2020.

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 lease liabilities, 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 12 September 2020, in respect of which all conditions precedent have been met, amounted to £1,146m (2019 – £1,235m):

	2020			2019		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Syndicated facility	**1,088**	**–**	**1,088**	1,200	–	1,200
US private placement	**336**	**336**	**–**	345	345	–
Illovo	**86**	**32**	**54**	98	65	33
Other	**7**	**3**	**4**	4	2	2
	1,517	**371**	**1,146**	1,647	412	1,235

Uncommitted facilities available at 12 September 2020 were:

	2020			2019		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Money market lines	**100**	**–**	**100**	100	–	100
Illovo	**160**	**63**	**97**	206	90	116
Azucarera	**49**	**11**	**38**	66	29	37
China banking	**40**	**–**	**40**	40	–	40
Other	**167**	**27**	**140**	153	43	110
	516	**101**	**415**	565	162	403

In addition to the above facilities there are also £98m (2019 – £75m) of undrawn and available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

In 2019 the group also had £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 19.

The group has a £1.1bn syndicated facility which matures in July 2023. In addition to the bank debt, the Company has £336m of private placement notes in issue to institutional investors in the US and Europe. At 12 September 2020, these had an average remaining duration of 1.8 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 pages 67 to 69.

26. Financial instruments continued

j) Capital management

The capital structure of the group is presented in the balance sheet. For the purpose of the group's capital management, capital includes issued capital and all other reserves attributable to the equity shareholders of the Company, totalling £9,355m (2019 – £9,452m). The statement of changes in equity provides details on equity and note 19 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.

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 12 September 2020, group companies have provided guarantees in the ordinary course of business amounting to £2,046m (2019 – £1,902m).

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	2020 £000	2019 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**1,095**	1,143
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	**9,151**	12,083
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**3,632**	5,941
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	2	**73**	82
Sales to fellow subsidiary undertakings on normal trading terms	3	**96**	75
Sales to companies with common key management personnel on normal trading terms	4	**18,404**	16,014
Commissions paid to companies with common key management personnel on normal trading terms	4	**557**	1,103
Amounts due from companies with common key management personnel	4	**2,237**	1,880
Sales to joint ventures on normal trading terms		**14,154**	12,744
Sales to associates on normal trading terms		**28,249**	31,174
Purchases from joint ventures on normal trading terms		**323,860**	380,176
Purchases from associates on normal trading terms		**12,863**	15,739
Amounts due from joint ventures		**41,722**	46,102
Amounts due from associates		**3,497**	2,620
Amounts due to joint ventures		**26,745**	27,962
Amounts due to associates		**1,272**	1,282

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 12 September 2020 was the beneficial owner of 683,073 shares (2019 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2019 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 12 September 2020 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 92 and 93. Their interests, including family interests, in the Company and its subsidiary undertakings are given on pages 117 and 118. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration report on pages 110 to 121.
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 £40m (2019 – £44m) of finance lease receivables (see note 14). The remainder of the balance is trading balances. All but £5m (2019 – £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 12 September 2020 Wittington, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2019 – 431,515,108) representing in aggregate 54.5% (2019 – 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 12 September 2020, have a combined interest in approximately 58.5% (2019 – 59.53%) of the Company's voting rights. Information on the relationship agreement between the Company and its controlling shareholders is set out on page 123 of the Directors' report.

Subsidiary undertakings

A list of the group's subsidiaries as at 12 September 2020 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	
ABF UK Finance Limited	
ABF US Holdings Limited	

Subsidiary undertakings	% effective holding if not 100%
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 (No.1) Limited (previously Allied Mills Limited)	
Allied Mills Limited (previously Allied Mills (No.1) 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.	
No 28. South Shunjin Road, Yintai District, Tongchuan, Shaanzi Province, China	
AB Agri Animal Nutrition (Shaanxi) Co., Ltd.	
Chuangxin Road, Tonggu Industry Zone, Sandu Town, Tonggu County, Jiangxi Province, China	
AB Agri Pumeixin Tech (Jiangxi) Co. Ltd.	
Room 2802, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	
AB Enzymes Trading (Shanghai) Co., Ltd	
Room 2803, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	
ABNA Management (Shanghai) Co., Ltd.	
ABNA Trading (Shanghai) Co., Ltd	
Room 2906, Raffles City Changning, 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%
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.	

Subsidiary undertakings	% effective holding if not 100%
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	
Panyu Mauri Food Co., Ltd. (in liquidation)	
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.	
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, 349 01 St íbro, 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	
Middelfartveg 77, Baring, 5466 Asperup, Denmark	
Cowconnect ApS	
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	
Westendstrasse 28, 60325, Frankfurt am Main, Germany	
Wander 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	
Somers & Murphy & Earl Limited, 46 Mount Street Upper, Dublin 2, Ireland	
Vistavet (Ireland) Limited (in liquidation)	
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland	
Allied Mills Ireland Limited	
Intellync Technology Limited	
Arthur Ryan House, 22-24 Parnell Street, Dublin 1, Ireland	
Primark Limited	
25-28 North Wall Quay, Dublin 1, Ireland	
Primark Mode Limited	
Italy	
Viale Monte Nero, 84, 20135, Milan, Italy	
AB Agri Italy S.r.l	
Via Milano 42, 27045, Casteggio, (Pavia), Italy	
AB Mauri Italy S.p.A.	

Subsidiary undertakings	% effective holding if not 100%
ABF Italy Holdings S.r.l.	
Primark Italy S.r.l.	
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	
69, Boulevard de la Pétrusse, L-2320, 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	
171 Old Bakery Street, Valletta, VLT 1455, Malta	
Relax Limited	70%
Mauritius	
10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius	
Illovo Group Financing Services	
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 805, Col. Lomas Atlas, DF 11950, Mexico	
AB CALSA S.A. de C.V.	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.	
Avenida Javier Barros Sierra 495, piso 7 oficina 07-102, Col. Santa Fe, Alvaro Obregón, Ciudad de México, 01219, México	
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	
Nigeria	
23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria	
Twinings Ovaltine Nigeria Limited	
Pakistan	
21KM Ferozepur Road, 2 KM Hadyara Drain, Lahore, Pakistan	
AB Mauri Pakistan (Private) Limited	60%
Peru	
Av. Republica de Argentina No. 1227, Z.I. La Chalaca, 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.	
Rwanda	
Shop number E002B, 1st Floor, CHIC Building, Nyarugenge District, Nyarugenge Sector, Kigali City, Rwanda	
Illovo Sugar (Kigali) Limited	

Subsidiary undertakings	% effective holding if not 100%
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	
Calle Cardenal Marcelo Spínola, 42, 28016, Madrid, Spain	
AB Azucarera Iberia, S.L. Sociedad Unipersonal	
Calle Levadura, 5 14710, Villarrubia, Córdoba	
AB Mauri Food, S.A	
AB Mauri Spain, S.L.U.	
Avenida de Manoteras 46 3º B, Edificio Delta Norte, 28050, Madrid, Spain	
AB Vista Iberia, S.L.	
Levadura 5, Villarrubia 14710, Cordoba, Spain	
ABF Iberia Holding S.L.	
C/ Escultor Coomonte nº. 2, Entreplanta, Benavente, Zamora, Spain	
Agroteo S.A.	53%
Calle Comunidad de 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	
Sweden	
Nobels väg 16, 171 65 Solna, Sweden	
Larodan AB	
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.	
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	

29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
Bangchak, Khet Prakhanong, Bangkok, 10260, Thailand	
AB Food & Beverages (Thailand) Ltd.	
ABF Holdings (Thailand) Ltd.	
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.	
BakeGood, LLC	
Germains Seed Technology, Inc.	
PGP International, Inc.	
Primark US Corp.	
SPI Pharma, Inc.	
SPI Polyols, LLC	
Twinings North America, Inc.	

Subsidiary undertakings	% effective holding if not 100%
101 Arch Street, Floor 3, 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.	
Registered Agent Solutions, 1220 S St Ste 150, Sacramento Ca 95811	
PennyPacker, LLC	80%
Registered Agent Solutions Inc., 9 E Loockerman Street Suite 311, Dover, Kent DE 19901, United States	
Prosecco Source, LLC	
Uruguay	
Cno. Carlos Antonio Lopez 7547, Montevideo, Uruguay	
Levadura Uruguaya S.A.	
Venezuela	
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	
Alimentos Fleischmann, C.A.,	
Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	
Vietnam	
Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Chi 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 12 September 2020 was 75% of the total shareholding.

The results and balance sheet of Primark Mode Ltd. & Co. KG, seated in Essen, 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 12 September 2020. 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
Primark Mode Limited

29. Group entities continued

Joint ventures

A list of the group's joint ventures as at 12 September 2020 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 5PR, 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 Drayton, 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%

Joint ventures	% holding
China	
1828 Tiejueshan Road, Huangdao District, Qingdao, Shandong Province, China	
Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	25%
Room 608, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China	
AB Mauri Yihai Kerry Food Marketing (Shanghai) Co., Ltd	50%
Room 607, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China	
AB Mauri Yihai Kerry Investment Company Limited	50%
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	
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	
Stratas Foods LLC	50%
Stratas Receivables I LLC	50%

29. Group entities continued

Associates

A list of the group's associates as at 12 September 2020 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 River Pork 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%
Cz Energy Comercializado Ra De Etanol S.A	21%
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%
Italy	
Via Borgogna, 2-20122, Milan, Italy	
Czarnikow Italia Srl	43%

Associates	% holding
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 Weds Foods (Trading) Limited	50%
1203, 12th Floor, Metropolis Building, 725 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%
Vietnam	
5th Floor, IMC Tower, 62 Tan Quang Khai, Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam	
Czarnikow (Vietnam) Limited	43%

30. Alternative performance measures

In the reporting of financial information, the Board uses various APMs which they believe provide useful additional information for understanding the financial performance and financial health of the group. These APMs should be considered in addition to IFRS measures and are not intended to be a substitute for them. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

APMs are also used to improve the comparability of information between reporting periods and geographical units (such as like-for-like sales) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the group's performance.

Consequently, APMs are used by the Board and management for performance analysis, planning, reporting and incentive-setting purposes.

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Like-for-like sales	No direct equivalent	The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency in our retail stores adjusted for new stores, closures and relocations. Refits, extensions and downsizes are also adjusted for if a store's retail square footage changes by 10% or more. For each change described above, a store's sales are excluded from like-for-like sales for one year. No adjustments are made for disruption during refits, extension or downsizes, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each year subsequent to reopening after lockdown.	Consistent with the definition given
Operating (profit) margin	No direct equivalent	Operating (profit) margin is adjusted operating profit as a percentage of revenue. This year, the comparative operating (profit) margin is calculated using 2019 IFRS 16 pro forma data.	Reconciliation/calculation see Note A below.
Adjusted operating profit	Operating profit	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. Items 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.	A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1 of the financial statements
Adjusted profit before tax	Profit before tax	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. Items defined above which arise in the group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted profit before tax.	A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1 of the financial statements
Adjusted earnings and adjusted earnings per share	Earnings and earnings per share	Adjusted earnings and adjusted earnings per share 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 defined above which arise in the group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted earnings and adjusted earnings per share.	Reconciliations of these measures are provided in note 7 of the financial statements
Exceptional items	No direct equivalent	Exceptional items are items of income and expenditure which are material and unusual in nature and are considered of such significance that they require separate disclosure on the face of the income statement.	Exceptional items are included on the face of the consolidated income statement with further detail provided in note 2 of the financial statements
Constant currency	Revenue and adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year figure at current year average exchange rates, except for countries where CPI has escalated to extreme levels, in which case actual exchange rates are used. There are currently two countries where the group has operations in this position – Argentina and Venezuela. This year, adjusted operating profit at constant currency is calculated against the 2019 IFRS 16 pro forma adjusted operating profit measure.	Reconciliation/calculation see Note B below.

30. Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Effective tax rate	Income tax expense	The effective tax rate is the tax charge for the year expressed as a percentage of profit before tax.	Whilst the effective tax rate is not disclosed, a reconciliation of the tax charge on profit before tax at the UK corporation tax rate to the actual tax charge is provided in note 5 of the financial statements
Adjusted effective tax rate	No direct equivalent	The adjusted effective tax rate is the tax charge for the year on adjusted profit before tax expressed as a percentage of adjusted profit before tax.	The tax impact of reconciling items between profit before tax and adjusted profit before tax is shown in note 7 of the financial statements
Dividend cover	No direct equivalent	Dividend cover is the ratio of adjusted earnings per share to dividends per share relating to the year.	Reconciliation/calculation see Note C below.
Capital expenditure	No direct equivalent	Capital expenditure is a measure of investment each year in non-current assets in existing businesses. It comprises cash outflows from the purchase of property, plant and equipment and intangibles.	Reconciliation/calculation see Note D below.
Gross investment	No direct equivalent	Gross investment is a measure of investment each year in non-current assets of existing businesses and acquisitions of new businesses. It includes capital expenditure (see above) as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	Reconciliation/calculation see Note E below.
Net cash/debt excluding lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is in note 25 of the financial statements
Net cash/debt including lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments, loans and lease liabilities.	A reconciliation of this measure is in note 25 of the financial statements
(Average) capital employed	No direct equivalent	Capital employed is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of capital employed are calculated in accordance with Adopted IFRS. Average capital employed for each segment and the group is calculated by averaging the capital employed for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
Return on (average) capital employed	No direct equivalent	The return on (average) capital employed measure divides adjusted operating profit by average capital employed. Also referred to as ROCE and ROACE.	Consistent with the definition given
(Average) working capital	No direct equivalent	Working capital is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of working capital are calculated in accordance with Adopted IFRS. Average working capital for each segment and the group is calculated by averaging the working capital for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
(Average) working capital as a percentage of revenue	No direct equivalent	This measure expresses average working capital as a percentage of revenue.	Consistent with the definition given

Note A

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2020							
External revenue from continuing businesses	3,528	1,594	1,395	1,503	5,895	22	13,937
Adjusted operating profit	437	100	43	147	362	(65)	1,024
Operating margin %	12.4%	6.3%	3.1%	9.8%	6.1%		7.3%
2019							
External revenue from continuing businesses	3,498	1,608	1,385	1,505	7,792	36	15,824
Adjusted operating profit (IFRS 16 pro forma comparatives)	381	30	42	137	969	(77)	1,482
Operating margin %	10.9%	1.9%	3.0%	9.1%	12.4%		9.4%

30. Alternative performance measures continued

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Disposed businesses £m	Total £m
2020							
External revenue from continuing businesses at actual rates	3,528	1,594	1,395	1,503	5,895	22	13,937
2019							
External revenue from continuing businesses at actual rates	3,498	1,608	1,385	1,505	7,792	36	15,824
Impact of foreign exchange	(38)	(91)	(7)	(44)	(33)	(1)	(214)
External revenue from continuing businesses at constant currency	3,460	1,517	1,378	1,461	7,759	35	15,610
% change at constant currency	+2%	+5%	+1%	+3%	-24%		-11%

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2020							
Adjusted operating profit at actual rates	437	100	43	147	362	(65)	1,024
2019							
Adjusted operating profit at actual rates	381	30	42	137	969	(77)	1,482
Impact of foreign exchange	–	(9)	–	(3)	(4)	–	(16)
Adjusted operating profit at constant currency	381	21	42	134	965	(77)	1,466
% change at constant currency	+15%	+376%	+2%	+10%	-62%		-30%

Note C

	2020	2019
Adjusted earnings per share (pence)	**81.10**	137.50
Dividends relating to the year (pence)	**–**	46.35
Dividend cover	**n/a**	2.97

Note D

From the cash flow statement	**2020 £m**	2019 £m
Purchase of property, plant and equipment	**561**	680
Purchase of intangibles	**61**	57
	622	737

Note E

From the cash flow statement	**2020 £m**	2019 £m
Purchase of property, plant and equipment	**561**	680
Purchase of intangibles	**61**	57
Purchase of subsidiaries, joint ventures and associates	**16**	84
Purchase of shares in subsidiary undertaking from non-controlling interests	**2**	1
Purchase of other investments	**1**	–
Net debt assumed in acquisitions (from the reconciliation of net debt)	**–**	15
	641	837

31. Subsequent events

We consider the government decisions to close temporarily certain Primark stores to be a non-adjusting post-balance sheet event, given the timing of the announcements after the year end. Any financial implications arising from these closures will be reflected in financial results for the year ended September 2021.

Our yeast and bakery ingredients joint venture in China with Wilmar International received regulatory approval in April and the new business commenced operations just after the year end. Construction of the major new yeast plant in northern China is well underway.

Company balance sheet
at 12 September 2020

	Note	2020 £m	2019 £m
Fixed assets			
Intangible assets	1	**17**	19
Right-of-use assets	2	**15**	–
Investments in subsidiaries	3	**708**	703
		740	722
Current assets			
Debtors			
– due within one year	4	**2,660**	2,858
– due after one year	4	**152**	151
Employee benefits assets – due after one year	5	**94**	220
Derivative assets		**61**	64
Cash and cash equivalents		**1,454**	931
		4,421	4,224
Creditors: amounts falling due within one year			
Bank loans and overdrafts – unsecured		**(23)**	(3)
Lease liability	2	**(3)**	–
Other creditors	7	**(3,096)**	(2,466)
		(3,122)	(2,469)
Net current assets		**1,299**	1,755
Total assets less current liabilities		**2,039**	2,477
Creditors: amounts falling due after one year			
Bank loans – unsecured		**(317)**	(346)
Lease liability	2	**(14)**	–
Amounts owed to subsidiaries	7	**(253)**	(252)
Employee benefits liabilities	5	**(38)**	(38)
Deferred tax liabilities	6	**–**	(21)
		(622)	(657)
Net assets		**1,417**	1,820
Capital and reserves			
Issued capital	8	**45**	45
Capital redemption reserve	8	**2**	2
Hedging reserve	8	**4**	2
Profit and loss reserve	8	**1,366**	1,771
Equity shareholders' funds		**1,417**	1,820

The Company's loss for the 52 weeks ended 12 September 2020 was £39m (52 weeks ended 14 September 2019 was £36m).

The financial statements on pages 200 to 207 were approved by the Board of directors on 3 November 2020 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 12 September 2020

	Share capital £m	Capital redemption reserve £m	Hedging reserve £m	Profit and loss reserve £m	Total £m
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
IFRS 16 opening balance adjustment	–	–	–	1	1
Balance as at 15 September 2019	45	2	2	1,772	1,821
Total comprehensive income					
Loss for the period recognised in the income statement	–	–	–	(39)	(39)
Remeasurement of defined benefit schemes	–	–	–	(124)	(124)
Deferred tax associated with defined benefit schemes	–	–	–	19	19
Movement in cash flow hedging position	–	–	2	–	2
Other comprehensive income/(loss)	–	–	2	(105)	(103)
Total comprehensive income/(loss)	–	–	2	(144)	(142)
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(271)	(271)
Net movement in own shares held	–	–	–	8	8
Deferred tax associated with share based payments	–	–	–	1	1
Total transactions with owners	–	–	–	(262)	(262)
Balance as at 12 September 2020	**45**	**2**	**4**	**1,366**	**1,417**

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 141 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.

Impairment
The carrying amount of the Company's investments in subsidiaries and other assets 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, the recoverable amount is estimated at least annually. An impairment charge is recognised in the income statement whenever the carrying amount of an asset exceeds its 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.

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.

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.

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.

In the 2019 financial year, the Company was a lessee under a number of operating leases.

Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease, as were the benefit of lease incentives.

In the 2020 financial year, where the Company is a lessee, the following accounting policy applies:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value.

Lease payments on short-term leases and leases of low-value assets are expensed to the income statement.

Lessor accounting
Where the Company subleases assets, the sublease classification is assessed with reference to the head lease right-of-use asset. This assessment considers, among other factors, whether the sublease represents the majority of the remaining life of the head lease.

The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised. This assessment takes into consideration whether the sublet/head lease are above/below market rate.

Amounts due from lessees under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the incremental borrowing rate at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for lessees under finance leases is recognised in the income statement.

The Company recognises finance income over the lease term, reflecting a constant periodic rate of return on the net investment in the lease. Operating lease income is recognised as earned on a straight-line basis over the lease term. The impact of the transition adjustment was a £1m increase to the net assets.

Notes to the company financial statements
for the 52 weeks ended 12 September 2020

1. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 14 September 2019	14	9	23
Acquisitions	–	–	–
At 12 September 2020	**14**	**9**	**23**
Amortisation			
At 14 September 2019	–	(4)	(4)
Amortisation	–	(2)	(2)
At 12 September 2020	**–**	**(6)**	**(6)**
Net book value			
At 14 September 2019	14	5	19
At 12 September 2020	**14**	**3**	**17**

2. Leases

Right-of-use assets

	Land and buildings £m	Total £m
Cost		
IFRS 16 opening balance adjustment at 15 September 2019	17	17
Other movements	1	1
At 12 September 2020	**18**	**18**
Depreciation and impairment		
Depreciation for the year	(3)	(3)
At 12 September 2020	**(3)**	**(3)**
Net book value		
IFRS 16 opening balance adjustment at 15 September 2019	17	17
At 12 September 2020	**15**	**15**

Lease liabilities

	Land and buildings £m	Total £m
Cost		
IFRS 16 opening balance adjustment at 15 September 2019	19	19
Repayments	(3)	(3)
Other movements	1	1
At 12 September 2020	**17**	**17**
Current	3	3
Non-current	14	14
	17	**17**

3. Investments in subsidiaries

	£m
At 14 September 2019	703
Additions	5
At 12 September 2020	**708**

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.

4. Debtors

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**2,596**	2,800
Other debtors	**18**	13
Corporation tax recoverable	**46**	45
	2,660	2,858
Amounts falling due after one year		
Amounts owed by subsidiaries	**152**	151

The directors consider that the carrying amount of debtors approximates their fair value.

5. Employee entitlements

	2020 assets £m	2019 assets £m	2020 liabilities £m	2019 liabilities £m	2020 net £m	2019 net £m
Reconciliation of changes in assets and liabilities						
At beginning of year	**3,822**	3,714	**(3,640)**	(3,184)	**182**	530
Current service cost	**–**	–	**(35)**	(30)	**(35)**	(30)
Employee contributions	**5**	7	**(5)**	(7)	**–**	–
Employer contributions	**29**	41	**–**	–	**29**	41
Benefit payments	**(150)**	(160)	**150**	160	–	–
Past service cost	**–**	–	**–**	(14)	**–**	(14)
Interest income/(expense)	**75**	104	**(71)**	(89)	**4**	15
Return on scheme assets less interest income	**(20)**	116	**–**	–	**(20)**	116
Actuarial losses arising from changes in financial assumptions	**–**	–	**(172)**	(507)	**(172)**	(507)
Actuarial gains arising from changes in demographic assumptions	**–**	–	**40**	23	**40**	23
Experience gains on scheme liabilities	**–**	–	**28**	8	**28**	8
At end of year	**3,761**	3,822	**(3,705)**	(3,640)	**56**	182

The net pension asset of £56m comprises a funded scheme with a surplus of £94m and an unfunded scheme with a deficit of £38m.

Further details of the Associated British Foods Pension Scheme are contained in note 12 of the consolidated financial statements.

6. Deferred tax assets and liabilities

	Employee benefits £m	Share-based payments £m	Other £m	Total £m
At 14 September 2019	(31)	3	7	(21)
Amount credited to the income statement	–	(2)	–	(2)
Amount charged to equity	19	1	–	20
Effect of changes in tax rates on income statement	1	1	1	3
At 12 September 2020	**(11)**	**3**	**8**	**–**

7. Other creditors

	2020 £m	2019 £m
Amounts falling due within one year		
Other taxation and social security	**1**	1
Accruals and deferred income	**65**	66
Amounts owed to subsidiaries	**3,030**	2,399
	3,096	2,466
Amounts falling due after one year		
Amounts owed to subsidiaries	**253**	252

The directors consider that the carrying amount of creditors approximates their fair value.

8. Capital and reserves

Share capital

At 14 September 2019 and 12 September 2020, 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 24 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.

9. 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 £949m of guarantees in the ordinary course of business as at 12 September 2020 (2019 – £888m).

10. 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	2020 £000	2019 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		**1,095**	1,143
Dividends paid by the Company and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	**9,151**	12,083
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family	1	**3,632**	5,941
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	**73**	82
Charges to fellow subsidiary undertakings	2	**62**	35
Charges to non-wholly owned subsidiaries	2	**–**	251
Interest income earned from non-wholly owned subsidiaries	2	**85**	203
Amounts due from non-wholly owned subsidiaries	2	**4,299**	3,734

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.

11. Other information

Emoluments of directors

The remuneration of the directors of the Company is shown in the Remuneration report for the group on pages 110 to 121.

Employees

The Company had an average of 213 employees in 2020 (2019 – 197).

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

	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Revenue	13,399	15,357	15,574	15,824	**13,937**
Adjusted operating profit	1,118	1,363	1,404	1,421	**1,024**
Exceptional items	–	–	–	(79)	**(156)**
Transaction costs	(5)	(5)	(2)	(2)	**(2)**
Amortisation of non-operating intangibles	(21)	(28)	(41)	(47)	**(59)**
Acquired inventory fair value adjustments	–	–	(23)	(15)	**(15)**
Profits less losses on disposal of non-current assets	11	6	6	4	**18**
Profits less losses on sale and closure of businesses	(14)	293	(34)	(94)	**(14)**
Finance income	6	9	15	15	**11**
Finance expense	(56)	(59)	(50)	(42)	**(124)**
Other financial income/(expense)	3	(3)	4	12	**3**
Profit before taxation	1,042	1,576	1,279	1,173	**686**
Taxation	(221)	(365)	(257)	(277)	**(221)**
Profit for the period	821	1,211	1,022	896	**465**
Basic and diluted earnings per ordinary share (pence)	103.4	151.6	127.5	111.1	**57.6**
Adjusted earnings per share (pence)	106.2	127.1	134.9	137.5	**81.1**
Dividends per share (pence)	36.75	41.0	45.0	46.35	**nil**

Glossary

Alternative performance measure	APM
Annual General Meeting	AGM
Articles of Association of the Company	the Articles
Associated British Foods plc	the Company
Associated British Foods plc, its subsidiaries and the group's interest in joint ventures and associates.	the group
the Board of Associated British Foods plc	the Board
Carbon dioxide equivalent	CO_2e
Consumer Price Inflation	CPI
Employee Share Ownership Plan	ESOP
Employer-financed Retirement Benefits Scheme	EFRBS
Financial Reporting Standard 101 *Reduced Disclosure Framework*	FRS 101
IAS 17 *Leases*	IAS 17
IFRS 16 *Leases*	IFRS 16
International Financial Reporting Standards as adopted by the EU	Adopted IFRS
International Financial Reporting Interpretations Committee	IFRIC
Key performance indicator	KPI
Long-term incentive plan	LTIP
Net finance expense	the sum of finance income, finance expense and other financial income on the face of the consolidated income statement
Non-executive director	NED
Revolving Credit Facility	RCF
Short-term incentive plan	STIP
2019 results prepared on an IFRS 16 pro forma basis	2019 IFRS 16 pro forma results

Company directory

Associated British Foods plc
Registered office
Weston Centre
10 Grosvenor Street
London W1K 4QY

Company registered in England, 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
Annual general meeting
4 December 2020

Interim results to be announced
20 April 2021

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.fca.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.

Design and production
CONRAN DESIGN GROUP

RECYCLED
Paper made from recycled material
FSC® C022913
FSC www.fsc.org

This document is printed on Nautilus SuperWhite using vegetable oil-based inks. Made in Austria, the stocks comprise 100% de-inked post-consumer waste. Pulps used are totally chlorine-free.

The Forest Stewardship Council® (FSC®) is dedicated to the promotion of responsible forest management worldwide. The forest-based material in this product is recycled and the FSC® label on this product ensures responsible use of the world's forest resources.

ASSOCIATED BRITISH FOODS PLC
Weston Centre
10 Grosvenor Street
London
W1K 4QY

Tel + 44 (0) 20 7399 6500
Fax + 44 (0) 20 7399 6580

For an accessible version of
the Annual Report and Accounts
please visit our website

www.abf.co.uk