FOR RELEASE 8 NOVEMBER 2022

Annual Results Announcement

Year ended 17 September 2022

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Robust delivery in food; retail performance strongly ahead

Financial Headlines

		Actual currency change	Constant currency change
Group revenue	£16,997m	+22%	+22%
Adjusted operating profit	£1,435m	+42%	+38%
Adjusted profit before tax	£1,356m	+49%	
Adjusted earnings per share	131.1p	+64%	
Dividends per share	43.7p	+8%	
Gross investment	£930m		
Net cash before lease liabilities	£1,488m		
Net debt including lease liabilities	£1,764m		
Statutory operating profit	£1,178m	+46%	
Statutory profit before tax	£1,076m	+48%	
Basic earnings per share	88.6p	+46%	

Statutory operating profit of £1,178m was 46% ahead and is stated after charging net exceptional items of £206m (2021: £151m)

Food

- 10% sales growth at constant currency demonstrating price actions
- Adjusted operating profit for Sugar, Agriculture and Ingredients ahead of last year
- Grocery margin of 10.7% reflecting a lag in pricing to recover input cost inflation

Primark

- Total sales £7.7bn, 43% ahead of last year on a 52-week comparable basis at constant currency
- Significant increase in customer footfall and sales densities as markets emerged from pandemic
- UK like-for-like sales and market shares now broadly in line with pre-COVID levels
- Weaker like-for-like sales in Continental Europe given cautious customer sentiment
- Improved full year adjusted operating profit margin at 9.8%
- Continuing to build digital capability, new UK website, Click and Collect trial launching in 25 UK stores

Shareholder returns

- Total dividends of 43.7p up 8% over 40.5p last year (6.2p interim, 20.5p final and 13.8p special)
- Announcement of £500m share buy-back programme to be completed in financial year 2022/23

George Weston, Chief Executive of Associated British Foods, said:

"The Group delivered strong revenue and profit growth this year in a clear demonstration of the benefits of our diversification, brand strength, and of our commitment to disciplined financing and investment. The performance was achieved despite pandemic-induced disruption being followed by high and volatile input cost inflation.

Our Food businesses continued to play their important role providing safe, nutritious food in an era of supply chain disruption and high inflation. Sales increased by 10% driven by price recovery with adjusted operating profit proving resilient.

Sales, margin and profits at Primark increased significantly as more normal customer behaviour resumed after the pandemic. Significant progress was made in building out Primark's digital capability, which will be a key element in the future development of Primark.

Looking ahead, substantial and volatile input cost inflation will be the most significant challenge in the new financial year, and our businesses will continue to seek to recover these higher costs in the most appropriate way. Primark has faced significant input cost inflation and sharply moving currency exchange rates. We have decided to hold prices for the new financial year at the levels already implemented and planned and to stand by our customers, rather than set pricing against these highly volatile input costs and exchange rates.

As a result, in the current financial year, we expect significant growth in Group sales from pricing in Food, as well as from some pricing and from space expansion at Primark. Our outlook remains unchanged. We continue to expect Group adjusted operating profit and adjusted earnings per share to be lower than the financial year just closed.

The Group remains financially strong with good cash generation and substantial liquidity and we are announcing this year a share buyback programme of £500m together with an 8% increase in the total dividend."

Like-for-like sales metric expressed over three years enables measurement of the performance of our retail stores compared to our experience in 2019, which was before any of the economic effects of COVID-19.

The Group has defined, and outlined the purpose of, its Alternative performance measures in note 13. These measures are used within the Financial Headlines and in this Annual Results Announcement. In FY 2021 the 53rd week applied to Primark and George Weston Foods.

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There will be an analyst and investor presentation at 09.00am GMT today which will be streamed online and accessed via our website here.

Notes to Editors

Associated British Foods is a diversified international food, ingredients and retail group with sales of £17bn and 132,000 employees in 53 countries. It has significant businesses in Europe, Africa, the Americas, Asia and Australia.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for long-term profitable growth. We look to achieve this through a combination of growth of existing businesses, acquisition of complementary new businesses and achievement of high levels of operating efficiency.

Annual Results Announcement

For the 52 weeks ended 17 September 2022

Chairman's statement

Group revenue and profit were much stronger this year than last, demonstrating that our businesses have emerged robustly from the disruption of the pandemic. But just as we began to experience a more normal operating environment, we encountered the most challenging economic conditions for many years with sharply rising and broadly based inflation, as well as highly volatile input costs and exchange rates. We estimate that inflation increased costs across the Group by some £1bn in this year alone. The fact that the Group prospered is testimony once again to the agility and expertise of our people and to the strength of our business model.

Group revenue increased to £17bn, an increase of 22% over last year at both actual and constant currency. Adjusted operating profit rose to £1,435m, an increase of 42% at actual exchange rates and of 38% at constant currency. Adjusted earnings per share rose by 64% to 131.1p. Compared to our last pre-pandemic financial year, 2019, revenue was ahead and adjusted operating profit and adjusted earnings per share were broadly in line. The increases over last year, and the comparison to our 2019 financial year, highlight the very real progress the Group has made in the last 12 months.

Adjusted operating profit for our Food businesses was in line with last year driven by good trading, efficient operational performances, and pricing actions to recover significant input cost inflation. The year's strong financial performance was driven by much improved sales and operating profit margin at Primark which followed the removal of COVID-19 trading restrictions applied to our stores and the resumption of more normal customer behaviour. This year all our businesses experienced cost inflation across an unprecedented range of inputs. Although hard work has successfully recovered much of this cost inflation, more remains to be done.

The Group continued to invest for the long term with a gross investment this year of £930m, notably up on the £721m investment last year. This year we increased capital investment in technology and the fitout of automated warehouses for Primark, we commenced the construction of a new sugar factory in Tanzania, progressed with the construction of a state-of-the-art feed mill in Western Australia, and began a major expansion of our yeast extracts facility in Hamburg, Germany. We spent £160m on acquisitions this year, with the key additions being the life sciences company Fytexia for ABF Ingredients, and Greencoat, an animal supplement and care business for AB Agri.

A strong capital base

The Group's treasury policies maintain a strong capital base and manage the Group's balance sheet and liquidity to ensure long-term financial stability. These policies are the basis for investor, creditor and market confidence and enable the successful development of our businesses.

In February we acted to diversify our sources of funding by issuing an inaugural public bond of £400m, 2.5 per cent due 2034. The bond also served to extend the duration of our borrowings. Most of the £297m private placement notes remaining at the beginning of the financial year were repaid during the year. The Group's existing Revolving Credit Facility of £1.1bn, due to expire in 2023, was replaced in June. The new facility for £1.5bn is now free of performance covenants and runs for five years with two 1-year extension options. The Group holds an 'A' grade long-term issuer credit rating with stable outlook from S&P Global, reflecting the strength of ABF's businesses and the Group's conservative financial policy.

The Group's balance sheet was also strengthened this year by an increase in the net surplus of the Group's defined benefit schemes, driven by the UK defined benefit scheme, from £0.6bn last year end to £1.4bn this year end.

Dividends

The Board is proposing a final dividend of 29.9p a share which will be paid on 13 January 2023 to shareholders on the register on 16 December 2022. Taken with the interim dividend of 13.8p a share, the total dividend of 43.7p a share is 8% higher than the total dividend of 40.5p in 2021, which comprised an interim dividend of 6.2p, final dividend of 20.5p and a special dividend of 13.8p a share. The total dividend for 2022 is three times covered by the adjusted earnings per share of 131.1p.

Shareholder returns

Last year we set out our policies on financial leverage and capital allocation. In the ordinary course of business, the Board prefers to see the Group's financial leverage, expressed as the ratio of net debt including lease liabilities to adjusted EBITDA, to be well under 1.5 times at each half year and year end reporting date. In exceptional circumstances the Board will be prepared to see leverage above that level for a short period of time.

Our capital allocation policy is to invest in our businesses at an appropriate pace and wherever attractive returns on capital can be generated. We continue to see considerable opportunities to do this. Nevertheless, as previously stated the Board may from time to time conclude that it has surplus cash and capital. In making this assessment, the Board will be mindful that financial leverage consistently below 1.0 times and substantial net cash balances at both half and full year ends may indicate such a surplus position. Given it is not possible to anticipate every possible set of circumstances, this policy remains subject to the Board's discretion. Surplus capital may be returned to shareholders by special dividend or share buy-backs.

At the end of this financial year the financial leverage ratio was 0.8 times and net cash balances before lease liabilities amounted to £1.5bn.

Looking ahead, economic conditions are challenging and the outlook for consumer discretionary spending may well prove to be weak in the near term. However, the Group continues to trade robustly and our businesses are well invested and offer competitive products to customers. The Food businesses occupy positions of strength in their markets and have a pipeline of development opportunities ahead. With Primark stores open and trading, its cash flows are strong. The Group also benefits from considerable financial strength attributable to its strong cash generating capability and its effective management of cash, which result in a steady reduction in financial leverage over time.

By contrast, the value attributed by the financial markets to the Group's share capital has fallen considerably this year.

Taking into account all these factors, including the Group's policies on leverage and capital allocation, the Board has decided not only to declare a final dividend but also to commence a share buyback programme of £500m. At yesterday's market close, this buyback programme represents approximately 4.7% of the issued share capital of the Group with our intention being to complete it within this financial year. Shares bought back will be cancelled.

The Board views the share buyback as an investment, rather than simply a return of capital, with both the size and timing of the programme now considered to be appropriate for the delivery of value to shareholders whilst at the same time, continuing to leave appropriate scope for both organic and inorganic investment opportunities. The Board will continue to review the availability of surplus cash and capital at each half year and financial year end, in accordance with the Group's policies on financial leverage and capital allocation.

Our commitment to ESG

This year the Group continued to make further significant and wide-ranging progress in its environmental, social and governance activity.

In May we presented to investors the environmental factors which are most material for our businesses. With regard to greenhouse gas emissions, our focus has been on delivering on our 2030 commitments, but we are also intent on achieving net zero by 2050 or potentially sooner. Some 54% of the Group's total energy needs are already met from renewable sources which are mostly from bio-mass by-products in our Sugar businesses; furthermore, we highlighted that our Sugar businesses provide co-products that in turn are critical feedstock for other important industries.

Inflation is most onerous to people on lower incomes. We take the wellbeing of our people seriously. Across the Group our businesses are taking steps to mitigate wherever possible these higher living costs. In the UK we have delivered several initiatives to support our people. These include differentiated salary increases, so that those on lower incomes have higher increases, short-term financial support, benefits hubs offering discounts on goods including groceries, and other measures. The detail of this support varies by business and country, as we are a decentralised group, but the principles are clear and our businesses across the world are adopting a similar approach.

Progress on ESG must be owned by management at all levels, starting with the most senior. Effective from the 2022/23 financial year, 15% of the short-term incentive opportunity for the Chief Executive and Finance Director will be linked to ESG priorities including those that are climate-related.

Looking ahead, we recognise that there is likely to be further significant regulation and legislation from governments to drive ESG progress and bring transparency to related corporate activity. Whilst we will of course comply with all new requirements, our focus will be on actions which make the most material difference.

Our latest Responsibility Report is issued with the Annual Report and it details the large number of actions being taken across the Group. It can be found on the Group website.

Board

I have only one instance of succession planning to report this year, but it is unusually noteworthy. In July we announced that John Bason would be stepping down as Finance Director of the Group, and from the Board on 28 April next year after a long and distinguished period of service. John took up the post of Finance Director in May 1999 and his tenure has been marked by clear analysis, excellent judgement and tireless commitment to the Group. On behalf of the Board I would like to place on record our deep gratitude for his exceptional contribution. I am delighted that we are retaining John's experience and expertise in Primark where he will become Senior Advisor and Chairman of the newly constituted Strategic Advisory Board from May next year. In his place we welcome Eoin Tonge from Marks and Spencer Group Plc where he is currently Chief Financial Officer and Chief Strategy Officer. Eoin was previously Chief Financial Officer of Greencore Group plc and so importantly he has experience of both food and retail industries. He will join the Board no later than February 2023 and I am confident that he will make a strong contribution.

Our employees

In the first half of this year our businesses had to contend with considerable disruption from the pandemic, and the second half of the year saw the emergence of high inflation and volatile prices. I would like to thank our people for the way in which they responded to the many challenges of the year in a fast-changing business environment. The skills and professionalism of our people continue to impress me hugely.

Looking ahead

The Group continues to face considerable headwinds from high inflation, particularly in energy costs, volatile exchange rates and pressure on consumer discretionary spending. However, I remain confident that the Group has the business model necessary to deliver a year of resilient performance with further growth in sales.

We look forward to Primark's accelerated rollout of stores, especially in the United States, and to further digital development including the launch of the new Click and Collect trial in stores in the north of England and Wales. Our Food businesses continue to plan to recover rising input costs both through pricing and efficiency improvements, to launch new products and to invest in brand development.

In a Group as diversified as this, there are no shortages of opportunities: we shall continue to invest wherever and whenever our return thresholds can be met.

Michael McLintock
Chairman

Chief Executive's statement

Last year I stated how proud I was of the Group's response to the many challenges presented by COVID-19. This year has continued to be challenging with continuing reverberations from the pandemic, significant economic uncertainty, accelerating inflationary pressures and the terrible conflict in Ukraine. Once again our people demonstrated care, good judgement, operational resilience and immense hard work in rising to these challenges.

Our financial performance this year clearly demonstrates the strength of the Group and its ability to bounce back. We delivered substantial increases in sales and adjusted operating profit year-on-year. This outturn comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisational design that permits fast and flexible decision-taking.

Revenue for the Group of £17bn was 22% ahead of last year both at actual exchange rates and at constant currency. In our Food businesses, higher revenues reflect price actions and some volume increases, especially in Ingredients. In Primark, the much higher revenues reflect the ending of COVID-related restrictions and the resumption of more normal customer behaviour.

Our Food businesses delivered another resilient performance this year.

AB Sugar traded well this year with revenues 18% ahead of last year at constant currency driven by higher sugar and co-product prices, especially for bioethanol. Adjusted operating profit increased to £162m this year, a strong performance given that these results included the costs of recommissioning Vivergo, our bioethanol plant in Hull. We should expect a high level of variability in the operating results for Vivergo given that its profitability is reliant on prices in a number of discrete commodity markets and there has indeed been a high level of variability in these markets over the last year. At Illovo, sugar production was held back by unseasonal weather including severe flooding. Against the consequential background of difficult operational challenges, Illovo pushed ahead and made major progress with its programme to produce retail packs for its domestic markets in high quality stand-alone facilities located in-country. These facilities are key to supporting Illovo's strategy of developing its domestic retail sugar businesses.

Grocery revenues were 3% ahead of last year at constant currency but operating profit margin declined. The planning, negotiation and implementation of pricing with the retailers inevitably results in a delay in the recovery of input cost inflation. In some categories, price realisation has been limited by competitor actions. Our actions to tackle the losses in Allied Bakeries, our UK baking business, have been undermined this year by the scale of cost inflation in all aspects of its operations including in gas, wheat and logistics. Although progress has been delayed, we are working on solutions beyond pricing.

AB Agri had a good year, with sales well ahead of last year, with higher selling prices, and adjusted operating profit was also well ahead. Our joint venture Frontier was created 17 years ago, has developed consistently over that time and I am delighted that this financial year was a record. The performance was driven by both strong grain trading and high demand for crop protection products. We acquired Greencoat, a UK-based animal supplement and care business which included the widely recognised equine supplement brand, NAF, in July and we expect these products to support the AB Agri expansion in international markets for animal nutrition and technology.

In Ingredients, the businesses in ABF Ingredients performed very strongly this year, with volume growth, from both winning new business and post-pandemic customer volume recoveries, and strong price execution. All of the businesses have developed strongly with every expectation that we will take advantage of many opportunities ahead. The acquisition of Fytexia this year brings another high-quality ingredient business to our portfolio. The profit at AB Mauri declined this financial year as a result of lower retail yeast volumes from their elevated COVID levels and with some lag in pricing recovery. We have long seen the potential to build on our position in the fast-growing Indian market. Initial work has now commenced on building a fresh yeast facility in Uttar Pradesh, which will expand our capacity to meet domestic demand.

This year saw the appointment of new Chief Executives to two of our businesses: Paul Kenward, formerly Managing Director of British Sugar, became Group Chief Executive of AB Sugar, succeeding Dr Mark Carr who is retiring after 18 years and Olav Silden, who joined from Selecta Group BV where he was Chief Commercial Officer with responsibility for many beverage brands, succeeded Bob Tavener as Chief Executive of Twinings Ovaltine.

At Primark, total sales and adjusted operating profit increased significantly compared to prior year. Trading was strong in the UK and the Republic of Ireland. In Continental Europe trading remained below pre-pandemic levels driven by different factors in each market. Consumer confidence was generally weaker and market data for some markets indicate that the total apparel market was still well below pre-COVID levels. Trade was affected by the exceptionally hot summer months and with colder weather we have seen many markets improve. In Germany we are considering the repositioning of Primark to increase sales densities and make the business sustainably profitable. These accounts include an exceptional charge of £206m which is a non-cash one-time writedown of property, plant and equipment and right-of-use for our German assets. Looking ahead to this new financial year we expect to make significant progress in Primark's digital development with the launch of our new enhanced website in all our markets along with the UK launch of our trial Click and Collect service. Having rebuilt the new store pipeline during the last financial year, we expect to open a net 1 million sq ft of retail selling space this next financial year. We have demonstrated that our US store model is profitable and believe that the opportunity ahead is substantial; we expect nearly to double our retail selling space in this new financial year. John Bason will take up his new role at Primark next May and I know that he will provide additional experience and expertise to Primark's decision-making in business-critical areas.

Adjusted operating profit of £1,435m was significantly ahead of last year, 42%, in line with our expectations. For the full year the weakening of sterling against our major currencies has led to a translation gain of some £15m. The statutory operating profit for the year at £1,178m was 46% ahead of the prior year, and was stated after the exceptional charge of £206m for the impairment of Primark German assets, which compares to a £151m net exceptional charge in the prior year.

This year benefitted from higher interest income compared to last year and other financial income was higher driven by a further increase in the surplus in the Group's UK defined benefit pension scheme. As expected, the Group's full year effective tax rate declined from 28.1% last financial year to 22.2% this year. As a result, adjusted earnings per share increased by 64% from 80.1p to 131.1p per share. Basic earnings per share were 88.6p, an increase of 46% on the reported 60.5p per share last year.

There was a cash outflow for the Group this year mainly due to an increase in working capital of some £750m. The increase in working capital was driven by the timing of receipt of Primark autumn/winter inventory of £440m in total around both financial year end dates, the effect of inflation across our businesses and, where necessary, some planned higher levels of inventory to mitigate potential supply chain disruption.

As a result, net cash before lease liabilities at the financial year end was £1.5bn, a reduction on £1.9bn at the end of the last financial year.

The Group remains financially strong with good cash generation and substantial liquidity and we are announcing this year a share buyback programme of £500m.

ESG

We have made considerable progress in understanding the environmental factors most material to our businesses. Our focus is to deliver on our 2030 commitment to reduce greenhouse gas emissions and we intend to achieve net zero by 2050 or potentially sooner. Some 54% of the Group's total energy needs are already met from renewable sources, mostly from bio-mass by-products from our Sugar and Agriculture businesses.

Our Sugar businesses produce by-products that act as critical feedstock for important industries. We have a clearly identified pipeline of capital projects, all of them delivering above our required return on capital employed, and which will deliver the 30% reduction commitment in carbon emissions for Sugar by 2030.

Our businesses play a crucial role in providing products to help other companies and customers reduce their own emissions. For example, AB Enzymes has recently launched cold cellulase products which enable cotton production to take place at lower water temperatures and enzymes for the detergent industry, which enable consumers to wash at lower temperatures and reduce their electricity usage.

We have incorporated in our annual report our reporting on the Task Force on Climate-related Financial Disclosures framework (TCFD). We have engaged with the spirit as well as the letter of the scenario planning that is central to TCFD. More broadly our understanding of the opportunities and risks ahead has been enhanced by an improvement in our data collection and analysis. We conducted a comprehensive risk assessment across the Group's supply chains which led to a focus on the most material risks: AB Sugar, Primark and Twinings. Taking into account different scenarios for climate change, we believe that the risks to the Group are not material to 2030. In doing this work we recognised that the main consequence of climate change for us will be that we will be affected by a pattern of more frequent and more extreme weather conditions. The effects of cyclones and severe flooding in Illovo, and the flooding in the eastern part of Australia, are examples of such events and our businesses are inevitably already building on their capabilities to deal with the consequences of these. Over the period to 2030 there is more confidence in the climate change models and hence the outcomes. Not surprisingly the variability of outcomes for longer-term scenarios to 2050 is much greater, and so we use the 2050 data to check our sense of direction. Our actions are focused on the period to 2030. The benefit we have seen from developing the long-term scenarios, however, is that they have added impetus to, and provided focus for, our businesses' strategic plans.

Our social commitments remain as important as ever to us. We believe firmly in the pursuit of a "just transition" that balances action to protect the planet with a concern for the welfare of our employees and the people in our value chain. Partnership with suppliers becomes more important than ever in the face of geopolitical uncertainty and economic volatility and enables us to plan much more effectively for disruption.

Outlook

As we look ahead, we expect further significant input cost inflation, and ongoing high volatility inevitably has made forecasting more difficult.

We expect the aggregate profit of our Food businesses to be ahead of the 2021/22 financial year. Adjusted operating profit is expected to be well ahead in AB Sugar, and broadly in line in AB Agri and Ingredients. We expect some further margin erosion in Grocery with significant additional inflation in input costs which should be recovered through pricing in the course of the year. Investment in our Grocery brands will increase with higher marketing spend.

We expect Primark sales growth to be driven by the price increases implemented for autumn/winter this year and those already planned for spring/summer next year and the increase in retail selling space. Input cost inflation is expected to be significant, with inflation in raw material and energy costs and in labour rates, alongside higher purchasing costs which have resulted from the strengthening of the US dollar against sterling and the euro. Given a context of a likely reduction in consumer disposable income we have decided this year not to implement further price increases on the autumn/winter and spring/summer ranges beyond those already implemented and planned. We believe this decision is in the best interests of Primark, supporting our core proposition of everyday affordability and price leadership and supporting market share growth over the longer term. We expect Primark's adjusted operating profit margin for next year to be lower than 8% but looking further ahead, we remain focused on returning to an adjusted operating profit margin of some 10% as commodity prices moderate and consumer confidence improves.

Finance income is expected to increase reflecting higher interest rates on our net bank balances. Other financial income will increase substantially as a result of the further increase in the surplus in the Group's defined benefit pension schemes. We expect an increase in the effective tax rate to around 25%, driven by an adverse change in the profit mix of the Group and higher UK corporation tax rates.

Our outlook remains unchanged. For the full year, we continue to expect significant growth in sales for the Group, and adjusted operating profit and adjusted earnings per share to be lower than the financial year just closed.

References to growth in the following commentary are based on constant currency unless stated otherwise.

Operating review

Grocery

	2022	2021	Actual currency	Constant currency
Revenue £m	**3,735**	3,593	+4%	+3%
Adjusted operating profit £m	**399**	413	-3%	-5%
Adjusted operating profit margin	**10.7%**	11.5%		
Return on average capital employed	**29.3%**	31.4%		

Grocery revenues were 3% ahead of last year benefitting from the build of price increases taken during the year with the year-on-year increase particularly evident in the last quarter. Further pricing is underway. As expected, adjusted operating profit was below last financial year driven mostly by the lag between input cost inflation and revenues resulting from subsequent price actions.

Ovaltine sales were ahead with continued strong performances in Switzerland, Thailand, Brazil and Nigeria and a return to stronger out-of-home consumption and foodservice sales. Twinings sales reflected a return to more normal levels of demand after the COVID lockdowns of last year and were supported by further new product launches in the wellness category. Twinings Ovaltine profit included some £4m of ERP development costs in line with the application of the IFRIC clarification on configuration or customisation costs in a cloud computing arrangement.

Within our UK Grocery business, Allied Bakeries sales were ahead of last year due to significant price increases but losses increased with significantly higher costs for wheat, energy and distribution. Although pricing action at AB World Foods and Jordans Dorset Ryvita led sales to be ahead, margins declined as cost inflation outpaced pricing. Westmill benefited from the continued improvement in restaurant and take-away trade sales. In Acetum, the Mazzetti brand was developed further with continued advertising support in its major markets, and investment in capacity was focused on aged and organic vinegars.

Revenue growth at ACH was stronger with the benefit of price actions taken over the last year which more than offset a decline in the US retail yeast volumes from COVID-elevated levels. Baking volumes have remained higher than pre-COVID levels. Profit at Stratas, our joint venture in the US, was strongly ahead driven by strong procurement and effective price negotiations.

George Weston Foods in Australia delivered good sales growth and an increase in adjusted operating profit compared to last year despite COVID-related labour shortages in our Tip Top bread and Don KRC meat businesses. Volumes to Quick Service Restaurants were strongly ahead, particularly for Tip Top, and margins were supported by better buying in the Don KRC meat business.

Sugar

	2022	2021	Actual currency	Constant currency
Revenue £m	**2,016**	1,650	+22%	+18%
Adjusted operating profit £m	**162**	152	+7%	-5%
Adjusted operating profit margin	**8.0%**	9.2%		
Return on average capital employed	**10.3%**	10.2%		

AB Sugar revenues were 18% ahead of last year driven by higher sugar and co-product prices, especially for bioethanol. Sales volumes for AB Sugar declined, driven by lower volumes in Illovo and China partially offset by an increase in Azucarera. Illovo was impacted by the disruption caused by unseasonal heavy rains in southern Africa at the start of the sugar processing season which in turn limited the availability of sugar to supply local markets. Adjusted operating profit increased to £162m this year, but this increase was held back by the inclusion of recommissioning and start-up costs of £33m for Vivergo, our bioethanol plant in Hull. More than ever all businesses focused on cost reduction programmes, with a particular emphasis on reducing energy usage given the significant inflation in energy costs. Return on average capital employed increased to 10.3%.

European sugar production in 2021/22 was marginally higher than the previous year with a recovery in sugar yields to more normal levels marginally offsetting a reduction in crop area. European sugar prices were much higher this year with demand again exceeding supply with low stock levels and support from higher world sugar prices. This benefitted our UK and Spanish businesses. Looking ahead to the coming year, European sugar demand is expected to exceed production again and sugar beet costs will increase significantly with growers facing higher input costs.

UK sugar production was 1.03 million tonnes in the year 2021/22, up on the 0.9 million tonnes produced in the last campaign with good growing conditions supporting higher yields which more than offset a reduced growing area. The factories performed well despite a delay at the start of the campaign which affected throughput. Energy costs were at high levels although forward cover of gas mitigated much of the impact this financial year. We benefitted from strong pricing for both the electricity we produce and export to the grid and from the bioethanol produced from sugar. The Vivergo bioethanol plant re-started during the year with a steady increase in production rates.

Trading in Spain was much improved, with higher sugar production leading to a strong increase in sales volumes. Higher production volumes were achieved from an increase in refined raw sugar volumes. However, beet sugar production from the southern region was significantly lower, impacted by drought and very high temperatures which reduced crop yields. The significant improvement in sales volumes reflected both higher demand in Iberia and reduced imports from other EU countries.

Illovo's sugar production for the full year is now expected to be 1.45 million tonnes compared to 1.58 million tonnes last year. The end of the 2021/22 season saw disruption to production in Malawi, Eswatini and Mozambique due to cyclones and production at the beginning of the 2022/23 season was further constrained in South Africa, Eswatini and Malawi as a result of heavy rains, limiting the amount of sugar available for local markets. Illovo sales were broadly in line with last year, with higher regional prices, along with a strong co-product contribution in South Africa, more than offsetting the volume decline as a consequence of the production difficulties. Margin and adjusted operating profit were in line with last year.

Production volumes at AB Sugar China were much lower this year as a result of a reduction in the crop area and the operating result was lower as a consequence. The crop area has increased for the coming campaign.

Agriculture

	2022	2021	Actual currency	Constant currency
Revenue £m	**1,722**	1,537	+12%	+11%
Adjusted operating profit £m	**47**	44	+7%	+7%
Adjusted operating profit margin	**2.7%**	2.9%		
Return on average capital employed	**10.3%**	10.6%		

AB Agri delivered a strong trading performance with revenue and adjusted operating profit ahead by 11% and 7% respectively. The growth in revenue was mainly driven by higher feed prices which were a consequence of much higher commodity prices.

Higher adjusted operating profit was delivered by our UK feed business and our specialist premix business, Premier Nutrition, with the benefit of good raw material procurement. However, reduced demand for piglet starter feeds in the UK and Europe, due to a combination of low pig pricing within the European market and elevated rearing costs, contributed to a lower operating profit at our specialist starter feed business, AB Neo.

Margin pressure driven by much higher supply chain costs and adverse product and region mix contributed to a reduction in adjusted operating profit this year at AB Vista, our international feed additives business, when compared to the prior year.

Frontier delivered a record operating profit with a strong result from grain trading against a background of high commodity price volatility and a tightening of global supply. Its UK crop protection business also had a much improved season as farmers sought to maximise crop yields. Our China business delivered an improved trading performance, despite the disruption of regional lockdowns due to COVID-19, with growth of our premix business and favourable raw material purchasing contributing to this performance.

Expansion in animal supplements globally remains core to our growth strategy. In July we acquired Greencoat Limited, an equine and companion pet animal supplement business, which is particularly recognised for its NAF Five Star brand across the UK and EU equine markets.

Ingredients

	2022	2021	Actual currency	Constant currency
Revenue £m	**1,827**	1,508	+21%	+19%
Adjusted operating profit £m	**159**	151	+5%	+3%
Adjusted operating profit margin	**8.7%**	10.0%		
Return on average capital employed	**14.8%**	16.9%		

Revenues were significantly ahead of last year with growth of 19%, driven by both AB Mauri and ABF Ingredients. Adjusted operating profit was 3% ahead of last year with a strong increase in ABF Ingredients which more than offset a decline in AB Mauri.

The sales growth in AB Mauri was mainly driven by strong trading performances in the Americas and Europe. Significant price increases were implemented during the year to recover input cost inflation but pricing lagged inflation and so margin and adjusted operating profit for AB Mauri declined as a result. The trading in the Americas and Europe benefited from an increase in bakery ingredients volumes driven by growth in demand from industrial and foodservice channels as our markets emerged from the pandemic. This more than offset a volume decline for retail yeast and bakery ingredients where demand reduced from the elevated levels experienced during the COVID lockdowns but demand still remains above pre-COVID levels. Initial work has now commenced on building a fresh yeast facility in Uttar Pradesh, India, which will expand our capacity to meet increasing domestic demand. The results in Argentina, Turkey and Venezuela are reported under IAS 29, *Financial Reporting in Hyperinflationary Economies*, with Turkey being designated as hyperinflationary during the year.

ABF Ingredients delivered a record performance with revenues and profit well ahead of last year. Revenues were driven by volume growth, from both winning new business and post pandemic customer volume recoveries, and strong price execution to offset input cost inflation. Both AB Enzymes and Ohly delivered record performances. In AB Enzymes production yields benefited from process optimisation developed at the pilot plant opened last year in Rajamaki, Finland, and its wider global capability was further developed this year with the opening of regional baking laboratories in the US and Asia. The success of Ohly in recent years has taken the utilisation of the Hamburg site to close to capacity. The first step in a major expansion of the site is the construction, which started this year, of a new spray drying facility which will bring this important capability in-house and provide further capacity. ABITEC delivered a significant increase in revenues driven by increased volumes, improved sales mix and price increases driven by its specialty ingredient input cost inflation. Trading at PGPI strengthened significantly this year with the strong recovery in US demand for extruded protein crisps, and operating margins improved markedly. The acquisition in the year of Fytexia Group, a life science company, has broadened our product portfolio into scientifically supported active nutrients for human health. The integration of this business is progressing well.

Retail

	2022	2021	Actual currency	Constant currency
Revenue £m	**7,697**	5,593	+38%	+40%
Adjusted operating profit £m	**756**	321	+136%	+135%
Adjusted operating profit (before repayment of job retention scheme monies in 2021) £m	**756**	415	+82%	+81%
Adjusted operating profit margin	**9.8%**	7.4% (1)		
Return on average capital employed	**12.9%**	6.6% (1)		

1. Stated before repayment of job retention scheme monies in 2021

Revenues, adjusted operating profit margin, and return on average capital employed all recovered strongly this year as our markets emerged from the pandemic. Trading this financial year reflected an increase in customer footfall, following the end of COVID-related restrictions and a return of many customer behaviours to a level broadly experienced pre-pandemic. This compared to our 2020/21 financial year, which was characterised by periods of store closures and public health restrictions which affected trading for most of that year. Revenues for the financial year were 40% ahead of the sales reported last year at constant currency, and 43% ahead of last year adjusted to a comparable 52-week basis. As a result of our stores trading for the full year and the improvement in store sales densities as footfall increased, the adjusted operating profit margin improved sharply from 7.4% last year to 9.8% this year. Adjusted operating profit increased 81% at constant currency to £756m compared to prior year before repayment of job retention scheme monies. Return on average capital employed recovered strongly to 12.9%.

This financial year, as we came out of the pandemic, our stores in retail parks continued to perform strongly and, as the year progressed, we saw more customers return to major high streets and sales densities in our stores in destination cities were much improved with the return of commuter traffic and the growth of tourism into the summer season. Throughout the year, nightwear and loungewear sold well as customers bought the core essentials they need. This trend has continued into our autumn/winter season. There has been particularly strong demand for novelty prints and cosy textures including fluffy pyjamas and thermals with both velvet plush leggings and the 'Snuddie', which has built on the strong sales of last year, being stand-out best sellers. Demand has also been strong for our exclusive collaborations. The fourth collection from our partnership with Kem Cetinay has had broad appeal across our European markets and of course is very strong in the UK, reflecting a return to a smart casual menswear look. In the UK and Republic of Ireland the latest kids' collection from Stacey Solomon has started well. In our important Iberian market we have seen very strong customer demand for our first collaboration with the high profile Spanish model and actress Paula Echevarria. Our collaboration with Greggs has created real excitement around the Primark brand this year and we are launching a third range of clothing and gifting to coincide with the Christmas season.

Trading in the UK was strong and improved as the year progressed with total sales ahead of the prior year by 48% adjusted for a 52-week comparable basis. Like-for-like sales were 13% ahead of last year for the last quarter of the financial year on a one-year basis. For the full year like-for-like sales were broadly in line with last year, and, compared to pre-COVID levels, like-for-like sales improved from a decline of 10% in the first quarter to a decline of 2% in the last quarter. Primark's share of the total UK clothing, footwear and accessories market by value, which includes online sales, for the 12 weeks ending 18 September increased on last year and importantly was broadly in line with pre-COVID levels three years ago. That positive trading performance has continued into the new financial year.

Total sales in the Republic of Ireland were 48% ahead of the prior year, adjusted for a 52-week comparable basis. On a three year like-for-like basis, we traded strongly and consistently throughout the year.

In Continental Europe, total sales for the year were 42% ahead of the prior year, adjusted for a 52-week comparable basis. Footfall in these markets improved and like-for-like sales were 5% ahead on a one-year basis. Driven by different factors in each market, consumer confidence was generally weaker and contributed to a like-for-like decline on a three-year pre-COVID basis of 16%. In Iberia, sales densities were much improved on last year when COVID restrictions constrained domestic demand and resulted in low levels of tourism. The improvement this year was held back by extreme temperatures during the summer months which kept many customers at home. Market data earlier this year indicated that the total market for apparel was still well below pre-COVID levels. In France, the total retail clothing sector has continued to trade behind pre-COVID levels without the expected step-up in customer footfall, particularly in the Paris outskirts where we have a concentration of stores and where we believe sales have lagged the rest of the country. In Italy, total sales in the quarter increased 20% year-on-year on a 52-week comparable basis, with enthusiastic customer reaction to the four new stores opened during the year. We have seen some improvement in trading in these markets from the beginning of this financial year.

We first entered the German market in 2009 and achieved very high sales densities in our early stores. We then opened stores in many city centres with a retail selling space much larger than the average for the rest of the Primark estate. As a result, the average size of our German stores is significantly higher than the Primark average. However, sales densities declined in the latter years up to the 2019 financial year and, as Germany recovered from the pandemic, they have not returned to pre-Covid levels. As a consequence, and combined with the high cost to serve in this market, store profitability has fallen to an unacceptable level and these accounts include an exceptional, one-off non-cash impairment of £206m in the value of our German property, plant and equipment and right-of-use assets. We remain committed to our loyal customers in this important market for Primark and we are now reviewing options to return our business in Germany to long-term profitability. These options include the potential to optimise the retail selling space by store as well as reviewing the footprint of the overall store portfolio.

Our US business performed well with total sales 11% ahead of the prior year on a 52-week comparable basis. Our new store openings in the prior year – Sawgrass Mills Florida, American Dream New Jersey, State Street Chicago, and Fashion District Philadelphia – all performed well and like-for-like sales were 3% up on pre-COVID levels three years ago. We look forward to nearly doubling the retail selling space in this important growth market in the coming year.

Full year like-for-like sales for Primark were 10% lower than pre-COVID levels three years ago and 1% ahead of last year.

Operating profit margin improved strongly this year to 9.8%, reflecting our stores trading for the whole of the period and a sharp increase in sales densities as COVID-related restrictions lifted and more normal customer behaviour resumed. The benefit of this normalisation of trading on the operating profit margin was partially offset by high inflation of input costs, such as energy and labour costs, and higher purchasing costs due to the significant strengthening of the US dollar against sterling and the euro.

Looking ahead to the next financial year, we expect sales growth to be driven by like-for-like growth, resulting from the price increases implemented for autumn/winter and those planned for spring/summer, and the increase in retail selling space. Primark has already been managing the challenges of supply chain disruption, inflation in raw material and energy costs and in labour rates, alongside the higher purchasing costs. In addition to price increases there are plans to improve store labour efficiencies and these will partially offset these inflationary pressures. In recent months the US dollar has strengthened significantly against sterling and the euro, and energy costs remain volatile and higher. Against this current volatile backdrop and a context of likely much reduced disposable consumer income, we have decided not to implement further price increases on this year's autumn/winter and spring/summer ranges beyond those already actioned and planned. We believe this decision is in the best interests of Primark and supports our core proposition of everyday affordability and price leadership.

We continue to expect Primark's adjusted operating profit margin for next year to be lower than the margin of 8.0% for the second half of this financial year. Looking further ahead, we remain focused on returning the business to an operating profit margin of some 10% as commodity prices moderate and consumer confidence improves.

In September last year, Primark unveiled a wide-ranging sustainability strategy pledging to make more sustainable clothing choices affordable for all. This foundational year has focused on developing the internal processes and programmes that will underpin the significant changes required, both within Primark and across its value chain, to deliver on its commitments. This has included putting in place robust metrics and gathering the data necessary to set baselines against which we can measure and report our progress. This will not be linear: the Primark Cares strategy encompasses nine ambitious commitments across three pillars of Product, Planet and People through to 2030. But as we operationalise our plans, we remain confident we will deliver on these. We will report our progress on all nine commitments in our first annual Primark Sustainability and Ethics progress report which will be published for the first time later this month. In summary:

- In our Product pillar, some 45% of all the clothing units we sold in the financial year contained recycled or more sustainably sourced materials, up from 25% at launch. This is a significant step forward to meet our commitment that all our clothes will be made from recycled or sustainably sourced materials by 2030. Within this, 40% of our cotton clothing now contains cotton that is organic, recycled or sourced from our Primark Sustainable Cotton Programme.
- In our Planet pillar, we have committed to reduce our carbon emissions across our value chain by 50% by 2030, compared to our baseline financial year 2018/19. This year, our carbon emissions increased by 2.6% compared to the baseline. This is largely the result of the increased volume of material used to produce the products sold over that period. We expect this trend to continue in the short term, but then decline as the savings from the energy efficiency programmes that are being rolled out across our supply chain begin to deliver at scale.
- In our People pillar, as part of our commitment to pursuing the living wage for workers in our supply chain by 2030, we have commissioned the Global Living Wage Coalition to generate new or updated living wage benchmarks for our four key sourcing markets of China, Bangladesh, India and Pakistan. This information, which we will make publicly available, will be critical in establishing the current wage gaps in these markets to enable us to pilot initiatives which address them. More broadly, we continue to work within ACT, training our buying teams on its responsible purchasing practices.

This financial year we have made good progress in building our digital capability. The new UK website launched in April on our new digital platform showcasing many more products and offering enhanced functionality and a much-improved customer experience. Customer reaction has been very positive with early indications that the new site is helping to drive additional sales to our UK stores. Traffic to the new site is up 83% compared to last year and customers are viewing on average nearly twice as many pages per session. Around 15% of visitors are using the new store stock checker functionality, a key driver of footfall into stores. We are continuing to roll out this enhanced website across the rest of our markets, with all remaining markets due to transition to the new site by the end of the first half of 2023.

We are on track to launch the UK trial of a Click and Collect service in 25 stores in the north of England and Wales before Christmas. Customers of these stores will be able to shop a far wider range of nursery, baby and children’s products, many of which will be exclusively available online. We believe this has the potential to satisfy unfulfilled demand from both existing and new customers, driving footfall into stores and delivering incremental sales.

At the year end, we were trading from 408 stores and 17.3 million sq ft of retail selling space after opening three new stores in the last week of the financial year: Brno in Czechia, Tallaght in the Republic of Ireland and San Sebastián in Spain. Retail selling space increased over the financial year by a net 0.5 million sq ft. Ten new stores were opened: four each in our growth markets of Spain and Italy, one in the Republic of Ireland and one in Czechia. In addition, we relocated to larger premises in Gloucester UK and in Carlow Republic of Ireland, and our store in Luton UK was extended.

We have developed a strong pipeline of new stores, in line with our ambition to grow to some 530 stores by the end of our 2026 financial year. We plan to open 27 new stores in the 2022/23 financial year with ten of these stores opening in the run-up to Christmas 2022. We plan to open in the full financial year ten stores in the US, with Roosevelt Field Long Island, Jamaica Avenue Queens, and City Point Brooklyn, all due to open in this first quarter. In Continental Europe, we will open four new stores in France, four in Italy and three in Spain. In central Europe, we plan to enter two new markets next year, with two stores in Bucharest, Romania, and a store in Bratislava, Slovakia, as well as two further stores in Poland. After four years of restoration following the devastating fire in 2018, we were delighted to reopen Bank Buildings in the centre of Belfast last week. The temporary store in Donegal Place, Belfast, was closed. A further new store will be opened in Northern Ireland. A number of store extensions are also planned for the year which notably includes extending our recently-opened store in Sawgrass Mills, Florida US. Building on the success of this store, we have additionally signed a lease for a second store in Florida at The Florida Mall in Orlando. We are closing two stores in Germany this financial year, Weiterstadt which closed last month and Berlin SSC which will close in the second quarter. As a result, we expect to add a net one million sq ft of retail selling space in the financial year.

New store openings in the year ended 17 September 2022:

Czechia	Italy	Republic of Ireland	Spain
Olympia - Brno	Bologna Gran Reno	Tallaght	Girona Espai Girones
	Catania Centro Sicilia		San Fernando Bahia Sur
	Chieti Megaló SC		San Sebastián Garbera
	Milan Via Torino		Vigo Vialia

	Year ended 17 September 2022		Year ended 18 September 2021	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	**191**	**7,620**	191	7,597
Spain	**56**	**2,305**	52	2,143
Germany	**32**	**1,841**	32	1,841
Republic of Ireland	**37**	**1,121**	36	1,076
France	**20**	**1,044**	20	1,044
Netherlands	**20**	**1,016**	20	1,016
US	**13**	**563**	13	563
Italy	**11**	**552**	7	361
Belgium	**8**	**403**	8	403
Portugal	**10**	**383**	10	383
Austria	**5**	**242**	5	242
Czechia	**2**	**89**	1	50
Poland	**2**	**77**	2	77
Slovenia	**1**	**46**	1	46
Total	**408**	**17,302**	398	16,842

Financial review

Group performance

Group revenue was well ahead of last year on a reported basis at £17bn. In our Food businesses, higher revenues reflected price actions and, in some businesses, volume increases, in particular ABF Ingredients. In Primark, revenues were significantly higher and reflected the emergence from the pandemic during this last financial year in our markets. Adjusted operating profit for the Group of £1,435m was 42% ahead of last financial year on a reported basis. The adjusted operating profit is derived by adjusting the following items to the statutory operating profit: the amortisation charge on non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items.

The income statement this year included an exceptional charge of £206m comprising non-cash writedowns of assets in Primark Germany, £72m against property plant and equipment and £134m against right-of-use assets. We first entered the German market in 2009 and achieved very high sales densities in our early stores. We then opened stores in many city centres with retail selling spaces much larger than the average for the rest of the Primark estate. However, sales densities declined in the later years up to the 2019 financial year. After weaker than expected trading in the second half of this financial year we consider that a strong recovery from these sales densities is unlikely. Germany is a high cost-to-serve market for retailers. As a consequence, the discounted cashflow of our revised forecast for our German stores requires the recognition of an impairment which has been charged in these financial statements. We remain committed to our loyal customers in this important European market and we are now reviewing options to return our business in Germany to long-term profitability. These options include the potential to optimise the retail selling space by store as well as reviewing the footprint of the overall store portfolio. The Group's total tax charge includes a £63m exceptional charge of which £50m relates to the de-recognition of the deferred tax assets relating to the impaired German assets.

The prior year exceptional charge of £151m mainly comprised £141m of non-cash writedowns of property, plant and equipment at Azucarera and other sugar businesses.

On an unadjusted basis, statutory operating profit was ahead 46% at £1,178m.

The strengthening of the US dollar, particularly in the latter half of this financial year, and the weakness of sterling against some of our trading currencies resulted in a gain on translation of £15m.

Finance income increased as a result of higher interest rates earned on our cash deposits. Other financial income increased this year as a consequence of the higher surplus in the Group's UK defined benefit pension scheme at the beginning of the financial year. Losses on the sale and closure of businesses amounted to £23m and profits less losses on sale of non-current assets were £7m.

Adjusted profit before tax of £1,356m was 49% up on last year on a reported basis. Statutory profit before tax of £1,076m was 48% up on last year on a reported basis.

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 tax strategy, approved by the Board, 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 £301m, an effective rate of 22.2% (2021 - 28.1%). This effective tax rate was a significant reduction from the higher tax rates in both of the COVID-affected financial years when profits at Primark were much reduced. Primark has a lower tax rate because of the lower tax rates in some of its jurisdictions.

The total tax charge for the year was £356m. This included an exceptional charge of £63m relating to the impairment of German assets in these accounts mainly driven by the partial de-recognition of the German deferred tax assets. There was a £55m tax charge on adjusting items (2021 - £27m credit).

The Group is exposed to a range of uncertain tax positions. It provides for open tax matters where it believes it is probable that payments will be required. These include routine tax audits, which are by nature complex and may take a number of years to resolve. Uncertainty is driven by the resolution of the issue and estimation process in arriving at the amount. The Group has recognised potential current corporate tax liabilities for a number of uncertain tax positions, none of which are individually material. The provision at the financial year end for these uncertain tax positions was £102m (2021 – £100m). The majority of these provisions relate to transfer pricing risks across a number of jurisdictions in which the Group has operations. Transfer pricing is a complex area with resolution of matters taking many years. Given the underlying nature of these risks, the timing of when they will resolve is uncertain. The Group has applied IFRIC 23 *Uncertainty over Income Tax Treatments* to measure uncertain tax positions. The Group calculates each provision using management's best estimate of the liability based on interpretation of tax law in each jurisdiction and ongoing monitoring of tax cases and rulings. The Group believes it has adequate provision for these matters. Final conclusion of each matter may result in an outcome different to any amounts provided but the Group has concluded that this is unlikely to have a material impact.

We expect there to be an upward pressure on the Group's effective tax rate in the new financial year, to some 25%, and this includes the increase in UK corporation tax rate to 25% in April 2023, as well as a change in the mix of profits by tax jurisdiction. Our analysis of the consequences of the OECD's BEPS 2.0 proposals is that the most significant change would be the likely increase in the corporation tax rate for the Republic of Ireland. The Irish tax authorities have proposed an increase in the corporation tax rate from 12.5% to 15% in the future. Based on current proposals we therefore do not anticipate a material impact on the Group's effective tax rate.

Earnings and shareholder returns

On an adjusted basis profit before tax was up 49% to £1,356m. Following the reduction in the effective tax rate, adjusted earnings attributable to equity shareholders of £1,034m were 63% up on prior year. The weighted average number of shares in issue during the year was 789 million (2021 – 790 million). As a result, adjusted earnings per share increased by 64% from 80.1p to 131.1p. Earnings attributable to equity shareholders were £700m this financial year and earnings per share were 88.6p, 46% ahead of last year.

This year the Board declared an interim dividend of 13.8p per share (2021 – 6.2p per share) and the Board has proposed a final dividend of 29.9p per share, giving a total dividend of 43.7p per share for the 2022 financial year. Dividends this financial year are 64% ahead of last year's ordinary dividends. It is a reflection of the strength of this year's financial performance that the total dividends for this financial year were 8% ahead of all the dividends for last financial year, which included a special dividend.

We announced a capital allocation policy for the Group last year, to invest in our businesses at an appropriate pace and wherever attractive returns on capital can be generated. The Board may from time to time conclude that it has surplus cash and in making this assessment, that financial leverage will be consistently below 1.0 times with substantial net cash balances at both half and full year ends. The Board received authority from shareholders at the last Annual General Meeting to purchase its own shares up to a maximum of 10% of the Company's issued ordinary share capital.

This year we are announcing a share buyback programme of £500m. Taking this programme into account we have sufficient liquidity not only to support our existing capital investment plans but also to pursue acquisition opportunities.

Cash flow

Very unusually this financial year there was a small cash outflow before the payment of dividends. Furthermore, the cash outflow for dividends was substantially ahead of the prior year as a result of the resumption of the payment of ordinary dividends and a special dividend last year.

Although operating profit increased this financial year, the net cash inflow from operating activities actually decreased by £260m to £1,153m this year. The biggest contributor to this reduction was the £770m increase in working capital. An increase in working capital should be expected in an inflationary economy but the scale of the increase this year was unusual. £440m of this increase related to the timing of receipt of Primark autumn/winter inventory at both financial year ends. £200m of inventory arrived later than the end of last financial year as a result of supply chain disruptions and £240m related to the planned earlier receipt this year end to avoid higher freight costs. Capital expenditure increased by £142m compared to the prior year was mainly driven by our Food businesses where there are a number of capital projects which are underway. The Primark capital expenditure reflected an increase in expenditure in technology and the automation of warehouses. This financial year Primark has focused on building its pipeline of new stores and so an increase in new store capital expenditure will be evident in the new financial year. Cash spent on acquisitions increased by £97m in this financial year as acquisition opportunities returned with the lifting of COVID-related restrictions.

Acquisitions and disposals

The spend on acquisitions this financial year was £160m.

The most significant of these was the ABF Ingredients' acquisition of Fytexia Group, a B2B specialty ingredients business in France and Italy producing and formulating polyphenols-based active ingredients for the dietary supplements industry. Fytexia broadens the product portfolio and capabilities of ABF Ingredients to serve the pharmaceutical, nutritional and food market sectors.

In July, AB Agri acquired Greencoat, a UK-based animal supplement and care business which included the widely recognised equine supplement brand, NAF, to support its expansion in international animal nutrition and technology.

During the year, the Group also acquired three small businesses: Dad's Pies in New Zealand, a business in Finland specialising in gut health diagnostics, and a speciality distributor of animal feeds in Australia.

The Group's investment in North China Sugar was classified as held-for-sale at the financial year end and an associated £19m non-cash writedown of its carrying value has been charged to loss on sale and closure of businesses.

Following our decision to recommission Vivergo, the remaining £3m closure provision was released and a £4m provision for potential warranties on a historic sale of business is no longer required.

Balance sheet

Non-current assets of £11.9bn were £1.2bn higher than last year. This was driven by a £0.8bn increase in the surplus of the Group's defined benefit pension schemes, a translation benefit arising from the weakening of sterling against the US dollar and euro, and the increase in goodwill and intangibles which relate to acquisitions made during the year.

Working capital increased by some £770m. £440m of this was the result of the timing of receipt of Primark autumn/winter inventory around both year end dates. This was also impacted by the effect of inflation across our businesses and, where necessary, some higher levels of inventory to mitigate potential supply chain disruption.

Net cash excluding lease liabilities at the financial year end was £1.5bn compared to net cash at the end of last financial year of £1.9bn as a result of the cash outflow this financial year. Net debt, including lease liabilities of £3.3bn, was £1.8bn and compared to £1.4bn last year and financial leverage was 0.8 times at year end. We measure financial leverage at both the half year and year end balance sheet dates. Given the normal seasonality of the Group's cash-flows, net cash reduces in the first half of our financial year, mainly driven by the inventory build in our Sugar business and payment of the final dividend. As a result, financial leverage at the half year would typically be higher than that at the year end.

The Group's net assets of £11.6bn were £1.6bn higher than last year, driven by the increase in non-current assets and working capital, partially offset by the decrease in net cash. Return on average capital employed for the Group recovered strongly this year to 14.0% compared with 9.8% last year and was mainly driven by the improvement at Primark.

Financing and liquidity

The Group's treasury policies are in place to maintain a strong capital base and manage the balance sheet to ensure long-term financial stability. They are the basis for investor, creditor and market confidence and enable the successful future development of the business. Financing of the Group is managed by a central treasury department.

Financing of the Group has been strengthened over the last financial year. This builds on the announcement of our treasury policies relating to financial leverage and liquidity, the codification of the Group's capital allocation policy and securing an 'A' issuer rating by S&P Global. Our financing is now more diversified, tenor has been significantly extended and, most importantly, the Group is free of financial performance covenants. The majority of our private placement notes have now been repaid, and the inaugural fixed 2.5 per cent public bond and renegotiated Revolving Credit Facility were secured at significantly lower cost. The Group now has significant additional financial strength and flexibility.

In the ordinary course, the Board prefers to see the Group's ratio of net debt, including lease liabilities, to adjusted EBITDA to be well under 1.5 times at each half year and year end reporting date. In exceptional circumstances, the Board will be prepared to see leverage above that level for a short period of time. The Group holds significant liquidity to ensure that it can meet unforeseen circumstances which includes substantial net cash balances and access to undrawn committed credit facilities.

The Group's committed Revolving Credit Facility, due to expire in 2023, was renewed in June. The new Facility is for £1.5bn, up from £1.1bn previously, is now free of performance covenants and runs for five years with two 1-year extension options. Our inaugural public bond of

£400m, 2.5 per cent due 2034 was launched in February. During the year £221m of private placement notes were repaid with the remaining £87m due March 2024.

At the year end, the Group had total committed borrowing facilities of £1.7bn, comprising £1.5bn provided under the RCF, £0.1bn of US private placement notes and £0.1bn of local committed facilities in Africa.

Cash and cash equivalents totalled £2.1bn at the year end. Total liquidity increased during the year and is now £3.4bn.

Pensions
The surplus of the Group's defined benefit pension schemes increased materially at the financial year end to £1,314m compared to last year's £493m. The UK scheme, which accounts for 90% of the Group's gross pension assets, was in surplus by £1,366m (2021 – £633m). The increase in the UK pension surplus was driven by a significant increase in bond yields, placing a lower value on the defined benefit obligations, marginally offset by higher inflation expectations. The pension surplus for the Group at the end of the previous financial year resulted in an increase in other financial income this financial year and the increase in this financial year end will result in a further increase in the next financial year.

The last triennial valuation of the UK scheme was undertaken at 5 April 2020 and determined a deficit of £302m. The date of this valuation was just after the introduction of the first COVID-19 restrictions and the adverse reaction of the financial markets. We agreed a recovery plan with the trustees, but no deficit recovery payments were made given the recovery in the financial markets over the next year. The next triennial valuation is due at 5 April 2023 and is currently expected to reveal a surplus. The Company is consulting with the trustees on both new investment and funding strategies and will also agree the Company contribution as part of this valuation process. It is currently envisaged the Company will be able to reduce a very significant proportion of the employer contributions required for both the defined benefit and defined contribution sections of the scheme.

The charge for the year for the Group's defined contribution schemes, which was equal to the contributions made, amounted to £87m (2021 – £81m). This compared with the cash contribution to the defined benefit schemes of £38m (2021 – £42m).

Non-financial metrics and TCFD
We have now carried out a comprehensive review of the climate risks and opportunities most material to the Group and this led to a focus on Primark, AB Sugar and Twinings. Key risks were assessed using scenario analyses. In our Annual Report we have set out our progress in accordance with the requirements of TCFD. We do not see TCFD as simply a disclosure exercise and our businesses have been actively engaged in the analysis which has helped them confirm the actions they need to take to either adapt to or mitigate the impacts of climate change, and consider opportunities where value can be created.

We also recognise the importance of accurate non-financial metrics to enable stakeholders to understand our ESG performance. We continue to evolve the role of Finance in non-financial data bringing skills historically applied to ensure the accuracy of financial data to non-financial data. This year we also increased the number of metrics subject to external limited assurance.

BEIS
In relation to the Government's response to the BEIS White Paper: Restoring Trust in Audit and Corporate Governance, which was published in May 2022, we are nearing completion of a Group wide programme, supported by external consultants, to formalise our approach and to provide a documented trail to support our assessment of the effectiveness of key controls.

New accounting policies
The following accounting standards and amendments were adopted during the year and had no significant impact on the Group:

– Amendments to IFRS 4 *Insurance Contracts* – Extension of the Temporary Exemption from Applying IFRS 9
– Amendment to IFRS 16 *Leases* (COVID-19 Related Rent Concessions beyond 30 June 2021)
– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform* - Phase 2. Financial authorities have announced the timing of key interest rate benchmark replacements such as LIBOR in the UK, the US and the EU and other territories, with remaining USD tenors expected to cease in 2023.

John Bason
Finance Director

The annual report and accounts is available at www.abf.co.uk and will be despatched to shareholders shortly. The annual general meeting will be held at 11am on Friday, 9 December 2022. Further details are provided in the Notice of Annual General Meeting, although please also monitor the AGM 2022 page of the Company's website (www.abf.co.uk/agm) for any updates.

Managing our risks

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 remain effective as we face increased economic volatility resulting from the aftermath of COVID-19, which has been exacerbated by geopolitical uncertainty triggered by the war in Ukraine.

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 business 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.

Emerging risks are identified and considered at both a Group and individual business level, with key management being close to their geographies. These risks are identified, as part of the overall risk management process, through a variety of horizon-scanning methods including: geopolitical insights; ongoing assessment of competitor activity and market factors; workshops and management meetings focused on risk identification; analysis of existing risks using industry knowledge and experience to understand how these risks may affect us in the future; and representation and participation in key industry associations.

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 (ABF) from delivering our 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 Board is satisfied that internal controls were properly maintained and that principal and emerging risks are being appropriately identified and managed.

Geopolitical uncertainty and Russia's war in Ukraine

The global inflationary impacts of COVID-19 have been exacerbated by the geopolitical uncertainty caused by Russia's war in Ukraine. This has resulted in economic uncertainty in almost all of the markets in which we operate, and has adversely impacted energy pricing, commodity costs and supply chains. Our management teams are monitoring the situation closely and continue to demonstrate agility and an ability to take appropriate mitigating actions to secure raw materials, maintain production and provide a reliable supply to our customers. This is an ongoing challenge and its impacts will depend on the duration of the current crisis and the geopolitical repercussions.

Household budgets

Household budgets, in a number of markets in which we operate, are facing real pressures as a result of high inflation, increased interest rates and general economic uncertainty. This means that some consumers are having to make challenging and difficult choices in respect of what they spend and where they spend it. Whilst we continue to offer safe, nutritious and affordable food and affordable, quality clothes to our customers, the full consequences of the current cost of living crisis remains uncertain. The impact on our businesses will depend on the extent of government intervention and the duration of any economic downturns.

Recent global financial data suggests that there is an increasing risk of recession across a number of the key economies in which we operate and the possibility of a prolonged period of stagnation. All of our businesses have developed strategies considering the potential changes in both end consumer and our customer behaviours and demands, the implications for the business and where investment or changes to business models may be appropriate.

Regulatory changes

Our businesses continue to face a large number of regulatory changes with new requirements being developed in a number of areas including the Task Force on Climate-related Financial Disclosures (TCFD), Environmental, Social and Governance (ESG), and extended producer responsibility regarding packaging and plastics. For each of these areas, groupwide initiatives are well advanced to meet the specific requirements. The extent of change will have an impact on the capacity of management at the time when they are dealing with the ongoing challenges resulting from economic uncertainty, alongside the day-to-day growth of our businesses.

In response to Task Force on Climate-related Financial Disclosures (TCFD) requirements we have conducted a comprehensive risk assessment across the whole supply chain, focused on climate related risks and opportunities at a divisional level, aligned with the risk management processes at ABF and our decentralised structure. Details of this are provided on pages 83 to 93 of the Annual Report.

In anticipation of the government's response to the BEIS white paper: Restoring trust in Audit and Corporate Governance published in 2021, we are nearing the completion of a business wide programme, supported by external consultants. The programme formalises our approach to internal control matters and to provide a documented trail to support our assessment of the effectiveness of key controls which minimise the risk of a material misstatement in our financial statements.

Environment

ABF has a clear sense of social purpose: it exists to provide safe, nutritious and affordable food, and clothing that is great value for money, to hundreds of millions of customers worldwide. ABF is set on a mission: to continue to make food and clothes available and affordable and also carbon neutral as quickly as we can. The people in our businesses are motivated by the excitement that comes from driving social and environmental improvement. ESG isn't simply a matter of risk mitigation. ESG factors, including the potential implications of climate change, are considered as part of our well-established risk management framework and they also frame opportunities for our businesses to become better. Our leaders are empowered to include the prioritisation of mitigation of environmental impacts as a central aspect of their business plans, sharing learnings from other ABF businesses and applying industry best practice. The Board reviews each business segment in depth every year, and ESG factors are central to the analysis and discussion.

Our culture and values, and particularly our devolved decision-making model, empowers the people closest to risks to make the right judgements to mitigate risks. In respect of ESG, each of our businesses has prioritised and is devoting most resources to those ESG factors which are of greatest relevance and will make the greatest long-term difference. They are also challenged by the centre through detailed reviews of the Group's environmental performance, health and safety performance, and its diversity, equity and inclusion and workforce engagement programmes.

Our principal risks and uncertainties

The directors have carried out an assessment of the principal risks facing ABF, including emerging risks, that would threaten our 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.

ABF is exposed to a variety of other risks related to a range of issues such as human resources and the attraction, development and retention of people, 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 2022 Responsibility Report. Here, we report the principal risks which we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation.

They are grouped into external risks, which may occur in the markets or environment in which we operate, and operational risks, which are related to internal activity linked to our own operations and internal controls.

The 'Changes since 2021' describe our experience and activity over the last year.

External risks

Movement in exchange rates

Context and potential impact

Associated British Foods is a multinational Group with operations and transactions in many currencies.

Changes in exchange rates give rise to transactional exposures within the businesses and to translation exposures when the assets, liabilities and results of overseas entities are translated into sterling upon consolidation.

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 committed 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 have been used to align part of the Group's borrowings with the underlying currencies of the Group's net assets (refer to note 26 to the financial statements for more information).

Changes since 2021

Sterling has weakened against most of our trading currencies this year, resulting in an operating profit gain on translation of £15m.

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 three and four months. There was a negative transactional effect from the appreciation of the US dollar exchange rate against both the sterling and euro on Primark's largely dollar-denominated purchases for the year.

There has been a greater level of volatility in sterling exchange rates against our major trading currencies during the financial year, caused by global inflationary and growth challenges.

Fluctuations in commodity and energy prices

Context and potential impact

Changes in commodity and energy prices can have a material impact on the Group's operating results, asset values and cash flows.

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 2021

Commodity price inflation has been a global factor throughout the year. A number of our food and agriculture businesses have experienced increased input costs driven by the appreciation of energy and agricultural commodity prices in the financial year.

Energy prices, particularly in the UK and Europe, have increased materially as a result of significant market uncertainty and supply concerns since the Russian invasion of Ukraine. The increase in energy prices has impacted all of the Group's businesses. Businesses continue to manage commodity price risk under their existing risk management frameworks and, where appropriate, reflect this in pricing of products.

↑ Increased
→ Unchanged
↓ Decreased

Operating in global markets

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.

We conduct rigorous due diligence when entering or commencing business activities in new markets.

Changes since 2021

There is continued uncertainty as a result of the COVID-19 pandemic. Authorities, particularly in China, continue to impose restrictions on both a regional and local basis.

The increased geopolitical risks induced by the Russian invasion of Ukraine is weighing adversely on global economic conditions throughout 2022; particularly impacted are energy pricing, commodity costs and supply chains. Recent global financial data suggests that there is an increasing risk of recession across a number of the key economies in which we operate and the possibility of a prolonged period of stagnations.

Supply chains risks are increasing and are vulnerable to energy and wage inflation, as well as a greater risk of a move towards protectionism and heightened disruption exacerbated by the war in Ukraine. Geopolitical tensions continue to arise in a number of countries in which we operate and this is having an impact on sourcing and supplier management. For example, the situation in Myanmar, a country that supplies Primark, remains extremely concerning and very complex.

High inflation continues to be a challenge for our yeast and bakery ingredients business based in Argentina.

Health and nutrition

Context and potential impact

Failure to adapt to changing consumer health choices or to address nutrition concerns in the formulation of our products, related to consumer preferences or government public health policies, could result in a loss of consumer base and impact business performance. This year we have provided a more detailed breakdown of our UK Grocery product portfolio in the context of nutrition within the ABF Corporate Responsibility Report.

Mitigation

All of our food businesses are individually responsible for managing their product portfolio. Consumer preferences, regulation and market trends are monitored continually. Recipes are regularly reviewed and, where technically feasible, are considered for reformulation to improve their overall nutritional value.

All of our grocery products are labelled with nutritional information, including in many cases front of pack nutrition labelling on our branded grocery products.

We actively consider consumer health in the context of brand development and merger and acquisition activity; for example, the launch of the Twinings wellness range. Branded grocery acquisitions over the past decade include Acetum, producers of Balsamic Vinegar of Modena, that is typically consumed as an accompaniment to salads; and Dorset Cereals, producers of high-fibre breakfast cereals made from whole grains and dried fruits, nuts and seeds. Likewise, the HIGH5 and Reflex range of sports-nutrition products. Our specialist sports-nutrition brand HIGH5 typically supports over 500 events annually, which promote exercise across the UK.

We invest in research with experts to improve our understanding of the science and societal trends. Both ABF UK Grocery and British Sugar support the charitable work of the British Nutrition Foundation to promote understanding of nutrition science in the context of healthy and sustainable diets.

Changes since 2021

Our Sugar and Grocery businesses have continued to focus on nutrition and health during the year to help consumers improve their diet.

Notable examples include AB World Foods, which has reformulated nine of its core UK Patak's sauce products to reduce fat, sugar and salt. The businesses have also added colour coded traffic light labelling to the front of the packaging. Likewise, Jordans Dorset Ryvita has reformulated the Dorset cereals granola range.

In addition, our Sugar business's campaign 'Making Sense of Sugar' has continued to develop into a global platform. The aim is to provide factual information based on robust science to help inform and educate people about sugar and their 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 nutrition science and changes to the regulatory and consumer operating environment.

Increased
Unchanged
Decreased

Operational risks

Workplace health and safety

Context and potential impact
Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and visitors.

We are saddened that since the start of the pandemic in March 2020, we have lost 43 colleagues to COVID-19 of which 42 were in the year to September 2021 and one very early in this reporting year. We deeply mourn their passing and our hearts go out to their families and colleagues.

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.

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 2021
The safety performance of the Group is reported in the 2022 Responsibility Report at www.abf.co.uk/responsibility.

We are deeply saddened to report that in the year there were four work-related fatalities: one to an employee and three to contractors. They occurred in South Africa, Australia, Mexico and Spain. Our businesses have conducted thorough root cause analyses, have implemented safety changes and communicated the findings to the other businesses.

This year over £35m was invested in reducing the safety and health risks across a wide range of operational hazards. As part of this, we invested £9.3m dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites.

Product safety and quality

Context and potential impact
As a leading food manufacturer and retailer, it is vital that we manage the safety and quality of our products throughout the supply chain.

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 2021
We did not have any major product recalls.

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

Increased
Unchanged
Decreased

Breaches of IT and information security

Context and potential impact

To meet customer, consumer and supplier needs, our IT infrastructure needs to be flexible, reliable and secure to allow us to interact through technology.

Our delivery of efficient and effective operations is enhanced using relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as social engineering attacks, 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.

Cyber incident response testing is done at all levels of the business to ensure we have adequate and effective processes to respond to a cyber incident.

Technical security controls are in place over key IT platforms with the Chief Information Security Officer tasked with identifying and responding to potential security risks.

Changes since 2021

Due to the changes in how people have worked since the COVID-19 pandemic the delivery of our IT services and systems has changed. A large proportion of our employees work in a hybrid fashion and the IT services, including the information security controls and measures, have been developed to support this.

There is an ongoing programme of investment in both technology and people to enhance the longevity of our IT environments for both on-site and remote working.

To maintain the support for seamless hybrid working we continue to improve our IT infrastructure, manage bandwidth with our telecommunications partners and improve our collaboration tools.

In response to an increased level of phishing attacks, we have developed and improved our user awareness training programmes.

As cybersecurity risks evolve, we continue to invest in our security capabilities at a Group level and across the businesses allowing us to more effectively detect, respond to and recover from disruptive cyber-threats.

We have improved and developed the existing 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 both IT disaster recovery plans and cyber incident response plans across the businesses.

Increased
Unchanged
Decreased

Our use of natural resources and managing our environmental impact

Context and potential impact

Our businesses and their supply chains rely on a secure supply of finite natural resources, some of which are vulnerable to external factors such as natural disasters and climate change and others are vulnerable based on the operational choices we take. Our material environmental impacts come from: fuel and energy use; agricultural operations giving rise to GHG emissions; use of land related to agricultural operations; the abstraction and management of water and wastewater especially in water-stressed areas; and waste which is not yet eliminated at source, reused or recycled, including single-use plastics.

We recognise that climate change represents a material risk throughout our supply chains and poses challenges to some of our businesses. Many of our businesses rely on agricultural crops with complex supply chains. Long-term climate change will impact agricultural crops and workers while extreme weather events have the potential to cause disruption across value chains.

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. However, the diversified and decentralised nature of the Group means that mitigation or adaptation strategies are considered and implemented by the individual businesses.

In addition to GHG emissions, our operations generate a range of other emissions such as dust, wastewater and waste which, if not controlled, could pose a risk to the environment and local communities, potentially creating risk to our licence to operate and resulting in additional costs.

Mitigation

We continuously seek ways to improve the efficiency of our operations, using technologies and techniques to reduce our use of natural resources and minimise waste and the subsequent impact on the environment.

The Audit Committee and the Board have received specific briefings on climate change matters and on our approach to achieving TCFD compliance. We have engaged external experts to support our TCFD implementation and established a steering committee sponsored by the Finance Director, to oversee its governance, which reports to the Audit Committee.

The steering committee comprises senior functional leaders from Corporate Social Responsibility, Environment, Finance, Risk Management, and HR, together with senior representation from AB Sugar and Primark. Our 2022 Climate-related Financial Disclosure (TCFD) can be found on page 83 of the Annual Report.

Within our Sugar business, Illovo Sugar in Africa is already managing significant climate variability so their responses to extreme weather events are already well developed. They are also improving irrigation efficiency to reduce the risk of drought, including investing in drip irrigation, and river defences to reduce storm damage.

Primark and Twinings Ovo sourcing strategies focus on geographical diversification for sourcing products and developing risk mitigation strategies to increase flexibility and agility when unexpected events occur.

Currently 40% of Primarks' clothing sales by volume contain cotton, either organic, recycled or from its Sustainable Cotton Programme (PSCP). Launched in 2013, the PSCP has to date some 250,000 farmers in the programme in India, Bangladesh and Pakistan, with 275,000 farmers targeted to have completed or be in the process of being trained by the programme by the end of 2023.

In regard to GHG emissions, our businesses are committed to cutting Scope 1 and Scope 2 carbon emissions from their operations.

AB Sugar has developed a detailed plan to reduce their Scope 1 and 2 carbon emissions by 30% by 2030 from a 2018 baseline. They will do this through a range of fuel substitution and energy efficiency programmes that are both affordable and commercially attractive.

AB Sugar and Primark are committed to setting a near-term science-based emission reduction target in consultation with The Science Based Targets initiative (SBTi).

Primark also has a detailed plan to achieve a 50% reduction in GHG emissions across Scope 1, 2 and 3 against a 2018 baseline by 2030. This is an integral part of the Primark Cares strategy.

Twinings has set a target of carbon neutrality 'from bush to shelf' for tea and herbal infusions by 2030.

Twinings' own operations, located in the UK and Poland, have now been certified carbon neutral as a result of energy efficiency projects, the greater use of renewable energy and carbon offsetting.

These have involved a range of measures, including switching to LED lighting, updating building management systems and embedding a culture that prioritises saving energy. In Poland, solar panels have also been installed. After reducing emissions in this way, the residual emissions have been offset through projects carried out by Climate Impact Partners, who support access to clean cookstoves and water filters in Kenya.

Regarding packaging and plastic, our UK Grocery businesses have been signatories to the WRAP UK Plastics Pact commitment since 2018. Through this commitment they have pledged to stop using a number of plastics, including PVC and polystyrene, by 2025. They have also agreed to make all of their plastic packaging 100% recyclable, reusable or compostable.

George Weston Foods, our Australian Grocery business, is a member of the Australian Packaging Covenant Organisation (APCO). As part of this membership, it has committed to national packaging targets that require all packaging to be 100% recyclable, reusable or compostable, with 70% of plastic packaging being recycled or composted and comprise 50% average recycled content by 2025.

Primark has set a goal is to eliminate all single-use plastic in its business by 2027.

AB Sugar has committed to ensure that all plastic packaging is reusable, recyclable, biodegradable or compostable by 2030.

Changes since 2021

The environmental performance of the Group is reported in the 2022 Responsibility Report and the ESG Insights at www.abf.co.uk/responsibility.

This year the Group has complied with the requirements of Listing Rule 9.8.6.R by including climate-related financial disclosures consistent with the four TCFD recommendations and the 11 recommended disclosures, published in 2017 by the TCFD, including the supplemental guidance for all sectors. Our 2022 Climates Related Financial Disclosure (TCFD) can be found on page 83 to 93 of the Annual Report.

Increased
Unchanged
Decreased

Our supply chain and ethical business practices

Context and potential impact

We understand the potential for many of our businesses, through their scale and scopes, to have a positive impact on the Sustainability Agenda of the United Nations as set out in the UN's Sustainable Development Goals (SDGs).

We also recognise the expectations on businesses to abide by internationally recognised frameworks such as the United Nations Guiding Principles on Business and Human Rights; operating within the parameters of what has become recognised as responsible business conduct.

Our businesses work closely with their suppliers to help them understand and meet the standards we expect in our supply chains, as detailed in our Supplier Code of Conduct. https://www.abf.co.uk/about-us/corporate-governance/policies.

The supply chain due diligence is risk-based, focusing on the needs of those working in our supply chains and the environment in which we operate. Potential supply chains ethical businesses practice rules include from the perspective of supply chain due diligence, the most critical challenges we currently face include:

- the vulnerability of workers in our supply chains and the amplification of this as a result of the ongoing impacts of COVID-19;
- ensuring due diligence is consistent across a wide range of diversified suppliers; and
- ensuring we have the leverage to prevent, avoid or mitigate issues

Mitigation

ABF has a Supplier Code of Conduct which outlines the standards we expect in our supply chains. The Code is based on the International Labour Organization's (ILO) standards as well as the Ethical Trading Initiative's Base Code.

As our Code and our position on modern slavery are common across all businesses, we have developed online training modules to facilitate internal awareness across the Group. These resources are also used to support knowledge of our approach and expectations amongst our suppliers.

Some of our businesses have developed their own code of conduct based on the standards outlined in ABF's Code. Primark has recently updated its code of conduct and has also strengthened its policies around modern slavery. Primark's code is tailored specifically to some of the risks in the apparel and textile sector. Primark is a member of the Ethical Trading Initiative and is also internationally recognised for its Ethical Trade and Environmental Sustainability programme.

More information is available at https://corporate.primark.com.

Our businesses work to understand the issues specific to the communities through which their respective supply chains flow. For example, Twinings uses a comprehensive Community Needs Assessment Framework, developed in consultation with expert external stakeholders. In addition to labour rights, this framework covers housing, water and sanitation, health and nutrition, land, gender and children's rights, farming practices and more.

Three of our businesses, AB Sugar, Primark and Twinings, have published interactive sourcing maps. These help our businesses to both prove and improve due diligence activity. These sourcing maps can also be used to identify where there is overlap with the supply chains of other businesses.

Changes since 2021

Our Modern Slavery Statement 2022, 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 chains, are reported in detail on our website and in the 2022 Responsibility Report at www.abf.co.uk/responsibility.

AB Agri's Human Rights Policy addresses modern slavery and other issues in line with the Universal Declaration of Human Rights.

AB Sugar has further developed its modern slavery policy and created its 'We Listen, We Act, We Remedy' toolkit.

Primark has revised and updated its Code of Conduct, further strengthening the requirements that guard against forced labour and has added in a new clause that requires all suppliers to have effective grievance procedures for workers.

Primark launched its "Primark Cares" strategy, underpinned with ESG targets based on its long-standing ethical trade and environmental sustainability programmes. Primark also published a supply chain human rights policy, available on its website.

Twinings revised its Human Rights Policy in 2022. In 2016 Twinings set a target to positively impact 500,000 people through their Sourced with Care programme which has now reached more than 500,000 people and delivered lasting change.

Increased
Unchanged
Decreased

Viability statement

The directors have determined that the most appropriate period over which to assess the Company's viability, in accordance with the 2018 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 business sets a strategic planning time horizon appropriate to its activities and which are typically of a three to five year 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 94 to 101 of the Annual Report 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, the financial implications of making any strategic acquisitions and a variety of additional factors that have the potential to reduce profit or to consume cash substantially. The directors considered actions which could damage the Group's reputation for the long term, macro-economic influences such as fluctuations in commodity markets and climate-related business risks. Specific consideration has been given to the potential ongoing risks associated with the outlook for a potential global recession, reducing demand for goods in both the Food businesses and Primark, and continuing inflationary cost pressures.

The Board's treasury policies are in place to maintain a strong capital base and manage the Group's balance sheet and liquidity to ensure long-term financial stability. These policies are the basis for investor, creditor and market confidence and enable the successful development of the business. The events of the last two years demonstrated the importance of sufficient financial resources and credit strength to meet any operational challenges or business disruption events. The financial leverage policy requires that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities to adjusted EBITDA to be well under 1.5x. At the end of this financial year, the financial leverage ratio was 0.8x and the Group had net cash before lease liabilities of £1,488m and an undrawn Committed Revolving Credit facility of £1,500m.

In November last year, S&P Global Ratings announced they had assigned the Group an 'A' grade long-term issuer credit rating. In February this year, the Group announced its inaugural £400m public bond, due in 2034, further diversifying its funding base. Furthermore the Group's committed Revolving Credit Facility, due to expire in 2023, was renewed in June. The new facility is for £1.5bn, up from £1.1bn previously, is now free of performance covenants and runs for five years to 2027, with two 1-year extension options.

The diversity of the Group is such that we have some 60 different businesses operating in different markets, sectors, customer groups, geographies and products. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively 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 ten 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 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 13 September 2025.

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 going concern assessment period to 2 March 2024 has been updated for the business's latest trading in October and is the best estimate of cashflow in the period. Having reviewed this forecast and having applied a downside sensitivity analysis and performed a reverse stress test, the directors consider it a remote possibility that the financial headroom could be exhausted.

The Board's treasury policies are in place to maintain a strong capital base and manage the Group's balance sheet and liquidity to ensure long-term financial stability. These policies are the basis for investor, creditor and market confidence and enable the successful development of the business. The events of the last two years demonstrated the importance of sufficient financial resources and credit strength to meet any operational challenges or business disruption events. The financial leverage policy states that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities to adjusted EBITDA to be well under 1.5x. At the end of this financial year, the financial leverage ratio was 0.8x and the Group had net cash before lease liabilities of £1,488m and an undrawn Committed Revolving Credit facility of £1,500m.

In November last year, S&P Global Ratings announced they had assigned the Group an 'A' grade long-term issuer credit rating. In February this year, the Group announced its inaugural £400m public bond, due in 2034, further diversifying its funding base. Furthermore, the Group's committed Revolving Credit Facility, due to expire in 2023, was renewed in June. The new facility is for £1.5bn, up from £1.1bn previously, is now free of performance covenants and runs for five years to 2027, with two 1-year extension options.

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 events of the last two years of trading and emerging trading patterns. The directors have a thorough understanding of the risks, sensitivities and judgements included in these elements of the cash flow forecast and have a high degree of confidence in these cash flows.

As a downside scenario the directors considered the adverse scenario in which inflationary costs are not fully recovered and in which energy costs are twice the forecasted increase and other inflationary cost pressures are 25% higher. It also includes further adverse foreign exchange impacts combined with a global recession, reducing demand for goods further than the base levels forecast. This downside scenario was modelled without taking any mitigating actions within their control. Under this downside scenario the Group forecasts liquidity throughout the period and compliance with financial covenants in the remaining $100m of outstanding private placement notes (due March 2024).

In addition, the directors also considered the circumstances which would be needed to exhaust the Group's total liquidity over the assessment period – a reverse stress test. This indicates that increasing inflation (rising energy costs and other inflationary cost pressures; and adverse foreign exchange impacts) combined with a global recession, reducing demand for goods, would need to exceed £2.4 billion more than the level forecasted by the Group, without any mitigating actions being taken before total liquidity is exhausted. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a long period, management could take substantial mitigating actions, such as reviewing pricing, cost cutting measures and reducing capital investment. Secondly, the Group has significant business and asset diversification and would be able to, if it were necessary, dispose of assets and/or businesses to raise considerable levels of funds.

Cautionary 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.

Directors' responsibilities in respect of the financial statements

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 a whole, together with a description of the principal risks and uncertainties that they face.

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 contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the 52 weeks ended 17 September 2022 which may be found at www.abf.co.uk and will be despatched to shareholders shortly. Accordingly this responsibility statement makes reference to the financial statements of the Company and the Group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

8 November 2022

Consolidated income statement

for the 52 weeks ended 17 September 2022

Continuing operations	note	2022 £m	2021 £m
Revenue	1	**16,997**	13,884
Operating costs before exceptional items		**(15,729)**	(13,008)
Exceptional items	2	**(206)**	(151)
		1,062	725
Share of profit after tax from joint ventures and associates		**109**	79
Profits less losses on disposal of non-current assets		**7**	4
Operating profit		**1,178**	808
Adjusted operating profit	1	**1,435**	1,011
Profits less losses on disposal of non-current assets		**7**	4
Amortisation of non-operating intangibles		**(47)**	(50)
Acquired inventory fair value adjustments		**(5)**	(3)
Transaction costs		**(6)**	(3)
Exceptional items	2	**(206)**	(151)
Profits less losses on sale and closure of businesses	7	**(23)**	20
Profit before interest		**1,155**	828
Finance income		**19**	9
Finance expense	3	**(111)**	(111)
Other financial income/(expense)		**13**	(1)
Profit before taxation		**1,076**	725
Adjusted profit before taxation		**1,356**	908
Profits less losses on disposal of non-current assets		**7**	4
Amortisation of non-operating intangibles		**(47)**	(50)
Acquired inventory fair value adjustments		**(5)**	(3)
Transaction costs		**(6)**	(3)
Exceptional items	2	**(206)**	(151)
Profits less losses on sale and closure of businesses	7	**(23)**	20
Taxation – UK (excluding tax on exceptional items)		**(50)**	(68)
– UK (on exceptional items)		**3**	3
– Overseas (excluding tax on exceptional items)		**(243)**	(196)
– Overseas (on exceptional items)		**(66)**	34
	4	**(356)**	(227)
Profit for the period		**720**	498
Attributable to			
Equity shareholders		**700**	478
Non-controlling interests		**20**	20
Profit for the period		**720**	498
Basic and diluted earnings per ordinary share (pence)	6	**88.6**	60.5
Dividends per share paid and proposed for the period (pence)	5	**43.7**	26.7
Special dividend per share proposed for the period (pence)	5	**–**	13.8

Consolidated statement of comprehensive income

for the 52 weeks ended 17 September 2022

	2022 £m	2021 £m
Profit for the period recognised in the income statement	**720**	498
Other comprehensive income		
Remeasurements of defined benefit schemes	**821**	559
Deferred tax associated with defined benefit schemes	**(198)**	(144)
Items that will not be reclassified to profit or loss	**623**	415
Effect of movements in foreign exchange	**440**	(355)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(1)**	14
Net gain on other investments held at fair value through other comprehensive income	**4**	–
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	(6)
Movement in cash flow hedging position	**419**	39
Deferred tax associated with movement in cash flow hedging position	**(28)**	(14)
Deferred tax associated with movement in other investments	**(1)**	–
Share of other comprehensive income/(loss) of joint ventures and associates	**28**	(10)
Effect of hyperinflationary economies	**46**	18
Items that are or may be subsequently reclassified to profit or loss	**907**	(314)
Other comprehensive income for the period	**1,530**	101
Total comprehensive income for the period	**2,250**	599
Attributable to		
Equity shareholders	**2,219**	579
Non-controlling interests	**31**	20
Total comprehensive income for the period	**2,250**	599

Consolidated balance sheet

at 17 September 2022

	2022 £m	2021 £m
Non-current assets		
Intangible assets	**1,868**	1,581
Property, plant and equipment	**5,599**	5,286
Right-of-use assets	**2,456**	2,649
Investments in joint ventures	**301**	278
Investments in associates	**85**	60
Employee benefits assets	**1,393**	640
Income tax	**23**	23
Deferred tax assets	**158**	218
Other receivables	**58**	55
Total non-current assets	**11,941**	10,790
Current assets		
Assets classified as held for sale	**45**	13
Inventories	**3,259**	2,151
Biological assets	**105**	85
Trade and other receivables	**1,758**	1,367
Derivative assets	**475**	124
Current asset investments	**4**	32
Income tax	**67**	58
Cash and cash equivalents	**2,121**	2,275
Total current assets	**7,834**	6,105
Total assets	**19,775**	16,895
Current liabilities		
Liabilities classified as held for sale	**(14)**	–
Lease liabilities	**(316)**	(289)
Loans and overdrafts	**(157)**	(330)
Trade and other payables	**(3,114)**	(2,386)
Derivative liabilities	**(205)**	(34)
Income tax	**(160)**	(172)
Provisions	**(87)**	(71)
Total current liabilities	**(4,053)**	(3,282)
Non-current liabilities		
Lease liabilities	**(2,936)**	(2,992)
Loans	**(480)**	(76)
Provisions	**(26)**	(31)
Deferred tax liabilities	**(647)**	(363)
Employee benefits liabilities	**(79)**	(147)
Total non-current liabilities	**(4,168)**	(3,609)
Total liabilities	**(8,221)**	(6,891)
Net assets	**11,554**	10,004
Equity		
Issued capital	**45**	45
Other reserves	**178**	175
Translation reserve	**422**	(34)
Hedging reserve	**154**	43
Retained earnings	**10,649**	9,692
Total equity attributable to equity shareholders	**11,448**	9,921
Non-controlling interests	**106**	83
Total equity	**11,554**	10,004

Consolidated cash flow statement

for the 52 weeks ended 17 September 2022

	2022 £m	2021 £m
Cash flow from operating activities		
Profit before taxation	**1,076**	725
Profits less losses on disposal of non-current assets	**(7)**	(4)
Profits less losses on sale and closure of businesses	**23**	(20)
Transaction costs	**6**	3
Finance income	**(19)**	(9)
Finance expense	**111**	111
Other financial (income)/expense	**(13)**	1
Share of profit after tax from joint ventures and associates	**(109)**	(79)
Amortisation	**68**	74
Depreciation (including of right-of-use assets)	**802**	823
Exceptional items	**206**	151
Acquired inventory fair value adjustments	**5**	3
Effect of hyperinflationary economies	**16**	7
Net change in the fair value of current biological assets	**(8)**	(12)
Share-based payment expense	**19**	17
Pension costs less contributions	**7**	4
Increase in inventories	**(953)**	(120)
Increase in receivables	**(288)**	(98)
Increase in payables	**512**	175
Purchases less sales of current biological assets	**(4)**	(1)
Increase/(decrease) in provisions	**7**	(40)
Cash generated from operations	**1,457**	1,711
Income taxes paid	**(304)**	(298)
Net cash generated from operating activities	**1,153**	1,413
Cash flow from investing activities		
Dividends received from joint ventures and associates	**93**	63
Purchase of property, plant and equipment	**(680)**	(551)
Purchase of intangibles	**(89)**	(76)
Lease incentives received	**46**	10
Sale of property, plant and equipment	**30**	21
Purchase of subsidiaries, joint ventures and associates	**(154)**	(57)
Sale of subsidiaries, joint ventures and associates	**–**	34
Purchase of other investments	**(7)**	(14)
Interest received	**17**	9
Net cash used in investing activities	**(744)**	(561)
Cash flow from financing activities		
Dividends paid to non-controlling interests	**(8)**	(4)
Dividends paid to equity shareholders	**(380)**	(49)
Interest paid	**(114)**	(116)
Repayment of lease liabilities	**(321)**	(290)
Decrease in short-term loans	**(12)**	(10)
Increase/(decrease) in long-term loans	**178**	(18)
Decrease/(increase) in current asset investments	**30**	(2)
Purchase of shares in subsidiary undertaking from non-controlling interests	**–**	(23)
Movement from changes in own shares held	**(50)**	–
Net cash used in financing activities	**(677)**	(512)
Net (decrease)/increase in cash and cash equivalents	**(268)**	340
Cash and cash equivalents at the beginning of the period	**2,189**	1,909
Effect of movements in foreign exchange	**74**	(60)
Cash and cash equivalents at the end of the period	**1,995**	2,189

Consolidated statement of changes in equity

for the 52 weeks ended 17 September 2022

	Attributable to equity shareholders						Non-	
	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	controlling interests £m	Total equity £m
Balance as at 12 September 2020	45	175	323	(7)	8,819	9,355	84	9,439
Total comprehensive income								
Profit for the period recognised in the income statement	–	–	–	–	478	478	20	498
Remeasurements of defined benefit schemes	–	–	–	–	559	559	–	559
Deferred tax associated with defined benefit schemes	–	–	–	–	(144)	(144)	–	(144)
Items that will not be reclassified to profit or loss	–	–	–	–	415	415	–	415
Effect of movements in foreign exchange	–	–	(355)	–	–	(355)	–	(355)
Net gain on hedge of net investment in foreign subsidiaries	–	–	14	–	–	14	–	14
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	–	–	(6)	–	–	(6)	–	(6)
Movement in cash flow hedging position	–	–	–	39	–	39	–	39
Deferred tax associated with movements in cash flow hedging position	–	–	–	(14)	–	(14)	–	(14)
Share of other comprehensive income of joint ventures and associates	–	–	(10)	–	–	(10)	–	(10)
Effect of hyperinflationary economies	–	–	–	–	18	18	–	18
Items that are or may be subsequently reclassified to profit or loss	–	–	(357)	25	18	(314)	–	(314)
Other comprehensive income	–	–	(357)	25	433	101	–	101
Total comprehensive income	–	–	(357)	25	911	579	20	599
Inventory cash flow hedge movements								
Gains transferred to cost of inventory	–	–	–	25	–	25	–	25
Total inventory cash flow hedge movements	–	–	–	25	–	25	–	25
Transactions with owners								
Dividends paid to equity shareholders	–	–	–	–	(49)	(49)	–	(49)
Net movement in own shares held	–	–	–	–	17	17	–	17
Dividends paid to non-controlling interests	–	–	–	–	–	–	(4)	(4)
Acquisition of non-controlling interests	–	–	–	–	(6)	(6)	(17)	(23)
Total transactions with owners	–	–	–	–	(38)	(38)	(21)	(59)
Balance as at 18 September 2021	45	175	(34)	43	9,692	9,921	83	10,004
Total comprehensive income								
Profit for the period recognised in the income statement	**–**	**–**	**–**	**–**	**700**	**700**	**20**	**720**
Remeasurements of defined benefit schemes	**–**	**–**	**–**	**–**	**821**	**821**	**–**	**821**
Deferred tax associated with defined benefit schemes	**–**	**–**	**–**	**–**	**(198)**	**(198)**	**–**	**(198)**
Items that will not be reclassified to profit or loss	**–**	**–**	**–**	**–**	**623**	**623**	**–**	**623**
Effect of movements in foreign exchange	**–**	**–**	**429**	**–**	**–**	**429**	**11**	**440**
Net loss on hedge of net investment in foreign subsidiaries	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Net gain on other investments held at fair value through other comprehensive income	**–**	**4**	**–**	**–**	**–**	**4**	**–**	**4**
Movement in cash flow hedging position	**–**	**–**	**–**	**419**	**–**	**419**	**–**	**419**
Deferred tax associated with movements in cash flow hedging position	**–**	**–**	**–**	**(28)**	**–**	**(28)**	**–**	**(28)**
Deferred tax associated with movement in other investments	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Share of other comprehensive income of joint ventures and associates	**–**	**–**	**28**	**–**	**–**	**28**	**–**	**28**
Effect of hyperinflationary economies	**–**	**–**	**–**	**–**	**46**	**46**	**–**	**46**
Items that are or may be subsequently reclassified to profit or loss	**–**	**3**	**456**	**391**	**46**	**896**	**11**	**907**
Other comprehensive income	**–**	**3**	**456**	**391**	**669**	**1,519**	**11**	**1,530**
Total comprehensive income	**–**	**3**	**456**	**391**	**1,369**	**2,219**	**31**	**2,250**
Inventory cash flow hedge movements								
Losses transferred to cost of inventory	**–**	**–**	**–**	**(280)**	**–**	**(280)**	**–**	**(280)**
Total inventory cash flow hedge movements	**–**	**–**	**–**	**(280)**	**–**	**(280)**	**–**	**(280)**
Transactions with owners								
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**(380)**	**(380)**	**–**	**(380)**
Net movement in own shares held	**–**	**–**	**–**	**–**	**(31)**	**(31)**	**–**	**(31)**
Deferred tax associated with share-based payments	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Total transactions with owners	**–**	**–**	**–**	**–**	**(412)**	**(412)**	**(8)**	**(420)**
Balance as at 17 September 2022	**45**	**178**	**422**	**154**	**10,649**	**11,448**	**106**	**11,554**

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, income tax 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 are re-presented for businesses sold or closed during the year.

The Group comprises the following operating segments:

Grocery
The manufacture of grocery products, including hot beverages, sugar and sweeteners, vegetable oils, balsamic vinegars, bread and 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Operating segments				
Grocery	**3,735**	3,593	**399**	413
Sugar	**2,016**	1,650	**162**	152
Agriculture	**1,722**	1,537	**47**	44
Ingredients	**1,827**	1,508	**159**	151
Retail	**7,697**	5,593	**756**	321
Central	**–**	–	**(88)**	(70)
	16,997	13,881	**1,435**	1,011
Businesses disposed				
Grocery	**–**	2	**–**	–
Ingredients	**–**	1	**–**	–
	16,997	13,884	**1,435**	1,011
Geographical information				
United Kingdom	**6,378**	4,982	**533**	293
Europe & Africa	**6,291**	4,944	**482**	302
The Americas	**2,028**	1,678	**279**	259
Asia Pacific	**2,300**	2,277	**141**	157
	16,997	13,881	**1,435**	1,011
Businesses disposed:				
Asia Pacific	**–**	3	**–**	–
	16,997	13,884	**1,435**	1,011

2022

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,736	2,097	1,728	1,996	7,697	(257)	16,997
Internal revenue	(1)	(81)	(6)	(169)	–	257	–
Revenue from external customers	3,735	2,016	1,722	1,827	7,697	–	16,997
Adjusted operating profit before joint ventures and associates	328	154	31	142	756	(88)	1,323
Share of profit after tax from joint ventures and associates	71	8	16	17	–	–	112
Adjusted operating profit	399	162	47	159	756	(88)	1,435
Finance income						19	19
Finance expense	(1)	(2)	–	(1)	(76)	(31)	(111)
Other financial income						13	13
Adjusted profit before taxation	398	160	47	158	680	(87)	1,356
Profits less losses on disposal of non-current assets	4	2	–	–	–	1	7
Amortisation of non-operating intangibles	(32)	–	(2)	(13)	–	–	(47)
Acquired inventory fair value adjustments	(1)	–	(2)	(2)	–	–	(5)
Transaction costs	(1)	–	(2)	(3)	–	–	(6)
Exceptional items	–	–	–	–	(206)	–	(206)
Profits less losses on sale and closure of businesses	–	(16)	–	(7)	–	–	(23)
Profit before taxation	368	146	41	133	474	(86)	1,076
Taxation						(356)	(356)
Profit for the period	368	146	41	133	474	(442)	720
Segment assets (excluding joint ventures and associates)	2,876	2,422	597	2,017	7,570	136	15,618
Investments in joint ventures and associates	62	45	143	136	–	–	386
Segment assets	2,938	2,467	740	2,153	7,570	136	16,004
Cash and cash equivalents						2,121	2,121
Current asset investments						4	4
Income tax						90	90
Deferred tax assets						163	163
Employee benefits assets						1,393	1,393
Segment liabilities	(703)	(616)	(196)	(450)	(4,545)	(188)	(6,698)
Loans and overdrafts						(637)	(637)
Income tax						(160)	(160)
Deferred tax liabilities						(647)	(647)
Employee benefits liabilities						(79)	(79)
Net assets	2,235	1,851	544	1,703	3,025	2,196	11,554
Non-current asset additions	128	223	26	183	489	3	1,052
Depreciation (including of right-of-use assets)	(109)	(75)	(17)	(57)	(532)	(12)	(802)
Amortisation	(37)	(3)	(3)	(14)	(11)	–	(68)
Impairment of property, plant & equipment and right-of-use assets	–	(19)	–	(11)	–	–	(30)

2021

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,594	1,714	1,539	1,687	5,593	(246)	13,881
Internal revenue	(1)	(64)	(2)	(179)	–	246	–
External revenue from continuing businesses	3,593	1,650	1,537	1,508	5,593	–	13,881
Businesses disposed	2	–	–	1	–	–	3
Revenue from external customers	3,595	1,650	1,537	1,509	5,593	–	13,884
Adjusted operating profit before joint ventures and associates	364	149	31	134	321	(70)	929
Share of profit after tax from joint ventures and associates	49	3	13	17	–	–	82
Adjusted operating profit	413	152	44	151	321	(70)	1,011
Finance income						9	9
Finance expense	(1)	(2)	–	(1)	(80)	(27)	(111)
Other financial expense						(1)	(1)
Adjusted profit before taxation	412	150	44	150	241	(89)	908
Profits less losses on disposal of non-current assets	2	1	–	1	–	–	4
Amortisation of non-operating intangibles	(41)	–	(2)	(7)	–	–	(50)
Acquired inventory fair value adjustments	(3)	–	–	–	–	–	(3)
Transaction costs	–	–	–	(2)	–	(1)	(3)
Exceptional items	–	(141)	–	–	(6)	(4)	(151)
Profits less losses on sale and closure of businesses	–	–	–	19	–	1	20
Profit before taxation	370	10	42	161	235	(93)	725
Taxation						(227)	(227)
Profit for the period	370	10	42	161	235	(320)	498
Segment assets (excluding joint ventures and associates)	2,541	1,776	441	1,480	6,919	154	13,311
Investments in joint ventures and associates	53	28	139	118	–	–	338
Segment assets	2,594	1,804	580	1,598	6,919	154	13,649
Cash and cash equivalents						2,275	2,275
Current asset investments						32	32
Income tax						81	81
Deferred tax assets						218	218
Employee benefits assets						640	640
Segment liabilities	(601)	(361)	(151)	(340)	(4,142)	(208)	(5,803)
Loans and overdrafts						(406)	(406)
Income tax						(172)	(172)
Deferred tax liabilities						(363)	(363)
Employee benefits liabilities						(147)	(147)
Net assets	1,993	1,443	429	1,258	2,777	2,104	10,004
Non-current asset additions	113	134	21	118	343	16	745
Depreciation (including of right-of-use assets)	(110)	(82)	(16)	(56)	(549)	(10)	(823)
Amortisation	(48)	(4)	(3)	(9)	(8)	(2)	(74)
Reversal of impairment of property, plant & equipment and right-of-use assets	–	–	–	10	–	–	10

1. Operating segments – geographical information

2022

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	**6,378**	**6,291**	**2,028**	**2,300**	**16,997**
Segment assets	**5,972**	**6,519**	**1,840**	**1,673**	**16,004**
Non-current asset additions	**285**	**487**	**177**	**103**	**1,052**
Depreciation (including of right-of-use assets)	**(277)**	**(392)**	**(69)**	**(64)**	**(802)**
Amortisation	**(25)**	**(32)**	**(5)**	**(6)**	**(68)**
Impairment of property, plant and equipment on sale and closure of businesses	**–**	**–**	**–**	**(30)**	**(30)**
Acquired inventory fair value adjustments	**(2)**	**(3)**	**–**	**–**	**(5)**
Transaction costs	**(2)**	**(3)**	**–**	**(1)**	**(6)**
Exceptional items	**–**	**(206)**	**–**	**–**	**(206)**

2021

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	4,982	4,944	1,678	2,280	13,884
Segment assets	5,178	5,754	1,324	1,393	13,649
Non-current asset additions	200	382	74	89	745
Depreciation (including of right-of-use assets)	(288)	(406)	(62)	(67)	(823)
Amortisation	(35)	(26)	(7)	(6)	(74)
Reversal of impairment of property, plant and equipment on sale and closure of businesses	–	–	–	10	10
Acquired inventory fair value adjustments	–	(3)	–	–	(3)
Transaction costs	(2)	–	–	(1)	(3)
Exceptional items	(13)	(117)	–	(21)	(151)

The Group's operations in the following countries met the criteria for separate disclosure:

	Revenue		Non-current assets	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Australia	**1,232**	1,209	**623**	533
Spain	**1,545**	1,190	**650**	670
United States	**1,315**	1,098	**866**	672

All segment disclosures are stated before reclassification of assets and liabilities classified as held for sale.

2. Exceptional items

2022

The income statement this year included an exceptional charge of £206m comprising non-cash writedowns of £72m against property, plant and equipment and a writedown of £134m of right-of-use assets relating to the capitalisation of store leases for Primark. We first entered the German market in 2009 and achieved very high sales densities in our early stores. We then opened stores in many city centres with a retail selling space much larger than the average for the rest of the Primark estate. However, sales densities declined in the later years up to the 2019 financial year and, weaker trading in the second half of this financial year, particularly in Germany, has made it very unlikely that sales densities will recover to pre-COVID levels. In addition, Germany is a high cost to serve market for retailers. As a consequence, the future cashflows in our revised store forecast for Germany at the financial year end requires us to recognise an impairment which has been treated as exceptional in these financial statements. We remain committed to our loyal customers in this important market and we are now reviewing options to return our business in Germany to long-term profitability. These options include the potential to optimise the retail selling space by store as well as reviewing the footprint of the overall store portfolio. Also £49m of the £63m exceptional charge included in the Group's total tax charge for this financial year was the de-recognition of the deferred tax assets relating to Germany.

2021

Exceptional items of £151m included impairments of £141m in property, plant and equipment at Azucarera and other sugar businesses, a £21m inventory charge in Primark, the reversal of £20m of the £22m Primark inventory provision raised in 2020, a £5m provision for excessive stock of COVID-19 related items in Primark and a £4m pension past service cost following a further High Court ruling on 20 November 2020 regarding the equalisation of Guaranteed Minimum Pensions.

3. Finance expense

	2022 £m	2021 £m
Bank loans and overdrafts	**(20)**	(16)
All other borrowings	**(8)**	(10)
Lease liabilities	**(81)**	(84)
Other payables	**(2)**	(1)
	(111)	(111)

4. Income tax expense

	2022 £m	2021 £m
Current tax expense		
UK – corporation tax at 19% (2021 – 19%)	**44**	46
Overseas – corporation tax	**244**	208
UK – (over)/under provided in prior periods	**(12)**	9
Overseas – under/(over) provided in prior periods	**1**	(9)
	277	254
Deferred tax expense		
UK deferred tax	**18**	13
Overseas deferred tax	**72**	(37)
UK – over provided in prior periods	**(3)**	(3)
Overseas – over provided in prior periods	**(8)**	–
	79	(27)
Total income tax expense in the income statement	**356**	227
Reconciliation of effective tax rate		
Profit before taxation	**1,076**	725
Less share of profit after tax from joint ventures and associates	**(109)**	(79)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**967**	646
Nominal tax charge at UK corporation tax rate of 19% (2021 – 19%)	**184**	123
Effect of higher and lower tax rates on overseas earnings	**4**	33
Effect of changes in tax rates on income statement	**2**	17
Expenses not deductible for tax purposes	**63**	51
Disposal of assets covered by tax exemptions or unrecognised capital losses	**6**	(3)
Deferred tax not recognised	**120**	9
Adjustments in respect of prior periods	**(23)**	(3)
	356	227
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**198**	144
Deferred tax associated with share-based payments	**1**	–
Deferred tax associated with movement in cash flow hedging position	**28**	14
Deferred tax associated with movement in other investments	**1**	–
	228	158

The UK corporation tax rate of 19% is set to increase to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has been calculated accordingly.

In April 2019 the European Commission published its decision on the Group Financing Exemption in the UK's controlled foreign company legislation. The Commission found that the UK law did not comply with EU State Aid rules in certain circumstances. The Group has arrangements that may be impacted by this decision as might other UK-based multinational groups that had financing arrangements in line with the UK's legislation in force at the time. The UK Government, the Group and a number of other UK companies appealed against this decision to the General Court of the European Union ('GCEU'). On 8 June 2022, the GCEU found in favour of the Commission's original decision. As a result of this, in August 2022, the UK Government, the Group and various other UK companies appealed GCEU decision to the Court of Justice of the European Union. We have calculated our maximum potential liability to be £26m (2021: £26m), however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. Following receipt of charging notices from HM Revenue & Customs ('HMRC'), we made payments to HMRC in the prior year. Our assessment remains that no provision is required in respect of this amount. We will continue to consider the impact of the Commission's decision on the Group and the potential requirement to record a provision.

5. Dividends

	2022 pence per share	2021 pence per share	2022 £m	2021 £m
2020 final	–	–	–	–
2021 interim	–	6.20	–	49
2021 final and special	**34.30**	–	**271**	–
2022 interim	**13.80**	–	**109**	–
	48.10	6.20	**380**	49

The 2022 interim dividend was declared on 26 April 2022 and was paid on 8 July 2022. The 2022 final dividend of 29.9p, total value of £236m, will be paid on 13 January 2023 to shareholders on the register on 16 December 2022.

Dividends relating to the period were 43.7p per share totalling £345m (2021 – 40.5p per share totalling £320m including the special dividend of 13.8p for £109m).

6. Earnings per share

The calculation of basic earnings per share at 17 September 2022 was based on the net profit attributable to equity shareholders of £700m (2021 – £478m), and a weighted average number of shares outstanding during the year of 789 million (2021 – 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.

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 789 million (2021 – 790 million). There is no difference between basic and diluted earnings.

	2022 pence	2021 pence
Adjusted earnings per share	**131.1**	80.1
Disposal of non-current assets	**0.9**	0.5
Sale and closure of businesses	**(2.9)**	2.5
Acquired inventory fair value adjustments	**(0.6)**	(0.4)
Transaction costs	**(0.8)**	(0.4)
Exceptional items	**(26.1)**	(19.1)
Tax effect on above adjustments	**(8.0)**	3.0
Amortisation of non-operating intangibles	**(6.0)**	(6.3)
Tax credit on non-operating intangibles amortisation and goodwill	**1.0**	0.6
Earnings per ordinary share	**88.6**	60.5

7. Acquisitions and disposals

Acquisitions

2022

In January, the Group acquired 100% of Fytexia, a B2B specialty ingredients business in France and Italy producing and formulating polyphenols-based active ingredients for the dietary supplements industry. This acquisition will expand the Group's portfolio of products and capabilities to serving the pharmaceutical, nutritional and food market sectors.

In July, the Group acquired Greencoat, a UK-based animal supplement and care business. This acquisition contributes to AB Agri's strategic goal to expand its international animal nutrition and technology business.

During the year, the Group also acquired a small grocery company in New Zealand, a small agriculture business in Finland and a small ingredients business in Australia. The acquisitions had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying values £m	Recognised values on acquisition Fytexia £m	Greencoat £m	Other £m	Total £m
Net assets					
Intangible assets	–	54	27	7	88
Property, plant and equipment and right-of-use assets	14	1	1	12	14
Working capital	17	3	11	11	25
Cash and overdrafts	10	6	1	3	10
Loans	(23)	(11)	(3)	(9)	(23)
Lease liabilities	(8)	–	–	(8)	(8)
Provisions	(7)	(7)	–	–	(7)
Taxation	(8)	(14)	(8)	(2)	(24)
Net identifiable assets and liabilities	(5)	32	29	14	75
Goodwill		61	12	12	85
Total consideration		93	41	26	160

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	153
Deferred consideration	7
	160
Net cash	
Cash consideration	153
Cash and cash equivalents acquired	(10)
	143

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £88m of non-operating intangibles in respect of brands, technology and customer relationships, an £8m uplift to inventory, a £16m related deferred tax liability and goodwill of £85m. Cash flow on acquisition of subsidiaries, joint ventures and associates of £154m comprised £153m cash consideration less £10m cash and overdrafts acquired, £7m of deferred consideration relating to previous acquisitions and a £4m contribution to an existing joint venture in China.

2021

In the prior period, the Group's Ingredients business acquired DR Healthcare España, a Spanish enzymes producer. Total consideration for this transaction was £14m, comprising £12m cash consideration and £2m deferred consideration. Net assets acquired included non-operating intangible assets of £19m, which were recognised with their related deferred tax of £5m.

The Group also contributed £43m to the bakery ingredients joint venture in China with Wilmar International and paid £2m of deferred consideration on acquisitions made in prior years.

Disposals

2022

The proposed sale of a yeast company to the joint venture with Wilmar International in China (classified as held for sale at the 2021 year end) is not going ahead. The £10m non-cash impairment reversed in 2021 through profit/(loss) on sale and closure of business has been reinstated at a cost of £11m.

The Group's investment in north China Sugar is classified as held-for-sale at year end and an associated £19m non-cash write-down has been charged to loss on sale and closure of business.

The Group also released £3m of closure provisions in Vivergo in the UK and £4m of warranty provisions no longer required for a disposed Ingredients business in the United States.

2021

The Group sold a number of Chinese yeast and bakery ingredients businesses into a new Chinese joint venture with Wilmar International. Gross cash consideration was £39m with £5m of cash disposed with the businesses. The joint venture also assumed £11m of debt, resulting in net proceeds of £45m. Net assets disposed were £33m with provisions of £6m for associated restructuring costs and a £6m gain on the recycling of foreign exchange differences. The gain on disposal was £6m.

The Group agreed the sale of a factory in China to the same joint venture, subject to regulatory approval. These assets were fully written down in 2019 when the proposed joint venture with Wilmar was first announced. A non-cash reversal of impairment of £10m was included in profit on sale and closure of business. This was reversed in 2022 (see above).

Closure provisions of £3m relating to disposals made in previous years were no longer required and were released to sale and closure of business in Ingredients and Grocery, both in Asia Pacific. Property provisions of £1m held in previous years were also no longer required and were released in the Central and UK segments.

8. Analysis of net debt

	At 18 September 2021 £m	Cash flow £m	Acquisitions and Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	**At 17 September 2022 £m**
Short-term loans	(244)	12	(23)	224	–	**(31)**
Long-term loans	(76)	(178)	–	(224)	(2)	**(480)**
Lease liabilities	(3,281)	321	(8)	(186)	(98)	**(3,252)**
Total liabilities from financing activities	(3,601)	155	(31)	(186)	(100)	**(3,763)**
Cash at bank and in hand, cash equivalents and overdrafts	2,189	(268)	–	–	74	**1,995**
Current asset investments	32	(30)	–	–	2	**4**
	(1,380)	(143)	(31)	(186)	(24)	**(1,764)**

	At 12 September 2020 £m	Cash flow £m	Acquisitions and Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	At 18 September 2021 £m
Short-term loans	(65)	10	10	(202)	3	(244)
Long-term loans	(318)	18	–	202	22	(76)
Lease liabilities	(3,639)	290	–	(100)	168	(3,281)
Total liabilities from financing activities	(4,022)	318	10	(100)	193	(3,601)
Cash at bank and in hand, cash equivalents and overdrafts	1,909	340	–	–	(60)	2,189
Current asset investments	32	2	–	–	(2)	32
	(2,081)	660	10	(100)	131	(1,380)

Cash and cash equivalents comprise bank and cash balances, deposits and short-term investments with original maturities of three months or less. £126m (2021 – £86m) of bank overdrafts that are repayable on demand form 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.

Net cash excluding lease liabilities is £1,488m (2021 – £1,901m).

£126m (2021 – £86m) of bank overdrafts plus the £31m (2021 – £244m) of short-term loans shown above comprise the £157m (2021 – £330m) of current loans and overdrafts shown on the face of the balance sheet.

Current and non-current lease liabilities shown on the face of the balance sheet of £316m and £2,936m respectively (2021 – £289m and £2,992m respectively) comprise the £3,252m (2021 – £3,281m) of lease liabilities shown above.

Current asset investments comprise term deposits and short-term investments with original maturities of greater than three months.

Interest paid is included within financing activities. The roll-forward of the liabilities associated with interest paid is an opening balance of £(20)m, expense of £(111)m, payments of £114m, fx of £(1)m and a closing balance of £(18)m (2021 - opening balance of £(23)m, expense of £(111)m, payments of £116m, fx of £(2)m and a closing balance of £(20)m).

9. 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. The Group has a related party relationship with its associates and joint ventures 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	2022 £000	2021 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**930**	895
Dividends paid by Associated British Foods and received in a beneficial capacity by:			
i. trustees of the Garfield Weston Foundation and their close family	1	**12,361**	1,570
ii. directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**2,322**	300
iii. directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited		**128**	14
Sales to fellow subsidiary undertakings on normal trading terms	2	**48**	55
Sales to companies with common key management personnel on normal trading terms	3	**16,891**	14,980
Amounts due from companies with common key management personnel	3	**2,898**	1,705
Sales to joint ventures on normal trading terms		**54,111**	44,405
Sales to associates on normal trading terms		**73,360**	46,407
Purchases from joint ventures on normal trading terms		**436,467**	361,287
Purchases from associates on normal trading terms		**13,879**	16,524
Amounts due from joint ventures		**37,865**	35,941
Amounts due from associates		**9,151**	4,033
Amounts due to joint ventures		**30,214**	22,960
Amounts due to associates		**594**	1,615

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 17 September 2022 was the beneficial owner of 683,073 shares (2021 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2021 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 17 September 2022 trustees of the Foundation comprised nine grandchildren of the late W. Garfield Weston of whom five are children of the late Garry H. Weston.
2. The fellow subsidiary undertakings are Fortnum and Mason plc and Heal & Son Limited.
3. 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 £29m (2021 – £32m) of finance lease receivables. The remainder of the balance is trading balances. All but £4m (2021 – £4m) of the finance lease receivables are non-current.

10. Other Information

The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 17 September 2022, or the 53 weeks ended 18 September 2021. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts.

11. Basis of preparation

The Company presents its consolidated financial statements in sterling, rounded to the nearest million, prepared on the historical cost basis except that current biological assets and certain financial instruments are stated at fair value, and 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.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised prospectively from when the estimates are revised.

Details of accounting standards which came into force in the year are set out in note 12 below.

The Group's consolidated financial statements are prepared to the Saturday nearest to 15 September. Accordingly, they have been prepared for the 52 weeks ended 17 September 2022 (2021 – 53 weeks ended 18 September 2021).

To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint ventures and associates are included to 31 August each year.

Adjustments have been made where appropriate for significant transactions or events occurring between 31 August and 17 September.

12. New accounting policies

The following accounting standards and amendments were adopted during the year and had no significant impact on the Group:

- Amendments to IFRS 4 *Insurance Contracts* – Extension of the Temporary Exemption from Applying IFRS 9;
- Amendment to IFRS 16 *Leases* (COVID-19 - Related Rent Concessions beyond 30 June 2021); and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2. Financial authorities have announced the timing of key interest rate benchmark replacements such as LIBOR in the UK, the US and the EU and other territories, with remaining USD tenors expected to cease in 2023.

The Group is assessing the impact of the following standards, interpretations and amendments that are not yet effective. Where already endorsed by the UKEB, these changes will be adopted on the effective dates noted. Where not yet endorsed by the UKEB, the adoption date is less certain:

- Amendments to IFRS 3 *Business Combinations* effective 2023 financial year;
- Amendment to IFRS 9 *Financial Instruments* effective 2023 financial year;
- *Annual Improvements to IFRS Standards 2018-2020* effective 2023 financial year;
- IFRS 17 *Insurance Contracts* effective 2024 financial year;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* effective 2024 financial year (not yet endorsed by the UKEB);
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) effective 2024 financial year (not yet endorsed by the UKEB);
- *Definition of Accounting Estimates* (Amendments to IAS 8) effective 2024 financial year (not yet endorsed by the UKEB);
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12) effective 2024 financial year (not yet endorsed by the UKEB);
- *Property, Plant and Equipment — Proceeds before Intended Use* (Amendments to IAS 16) effective 2023 financial year; and
- *Onerous Contracts — Cost of Fulfilling a Contract* (Amendments to IAS 37) effective 2023 financial year.

13. Alternative performance measures

In reporting financial information, the Board uses various APMs which it believes 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. Since IFRS does not define APMs, they may not be directly comparable to similar measures used by other companies.

The Board also uses APMs 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, the Board and management use APMs for performance analysis, planning, reporting and incentive-setting.

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, extensions or downsizes if a store's retail square footage changes by less than 10%, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each year.	Consistent with the definition given
Three year like-for-like sales	No direct equivalent	The like-for-like sales metric expressed over three years enables measurement of the performance of our retail stores compared to our experience in 2019, the last full financial year before any of the economic effects of COVID-19. It is calculated as described above for like-for-like sales, but with 2019 data as the comparator.	Consistent with the definition given
Adjusted operating (profit) margin	No direct equivalent	Adjusted operating (profit) margin is adjusted operating profit as a percentage of revenue.	See note A
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 operating profit before repayment of job retention scheme monies	See adjusted operating profit (non-IFRS) measure	Adjusted operating profit before repayment of job retention scheme monies is adjusted operating profit adjusted for repayment of job retention scheme monies.	See note A
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 6 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

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
			detail provided in note 2 of the financial statements
Constant currency	Revenue and see adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year figures 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 three countries where the Group has operations in this position – Argentina, Venezuela and Turkey.	See note B
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 4 of the financial statements
Adjusted effective tax rate	No direct equivalent	The adjusted effective tax rate is the tax charge for the year excluding tax on adjusting items 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 6 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.	See note C
Capital expenditure	No direct equivalent	Capital expenditure is a measure of the investment each year in non-current assets in existing businesses. It comprises cash outflows from the purchase of property, plant and equipment and intangibles.	See note D
Gross investment	No direct equivalent	Gross investment is a measure of investment each year in non-current assets in existing businesses and acquisitions of new businesses. It includes capital expenditure as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings purchased from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	See note E
Net cash/debt before lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is shown in note 8
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 shown in note 8
Adjusted EBITDA	See Adjusted operating profit (non-IFRS) measure	Adjusted EBITDA is stated before depreciation, amortisation and impairments charged to adjusted operating profit.	See note F
Financial leverage ratio	No direct equivalent	Financial leverage is the ratio of net cash/debt including lease liabilities to adjusted EBITDA.	See note F
Total liquidity	No direct equivalent	Total liquidity comprises net cash/debt before lease liabilities plus qualifying debts and credit facilities. Qualifying debt and credit facilities are those which are medium-to-long-term, are committed and either contain no performance covenants, or where they do, they are assessed as highly unlikely to be breached in even a severe downside scenario.	See note G
(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.	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.	Consistent with the definition given

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
		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.	
(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
2022							
External revenue from continuing businesses	**3,735**	**2,016**	**1,722**	**1,827**	**7,697**	**–**	**16,997**
Adjusted operating profit	**399**	**162**	**47**	**159**	**756**	**(88)**	**1,435**
Adjusted operating margin %	**10.7%**	**8.0%**	**2.7%**	**8.7%**	**9.8%**		**8.4%**
2021							
External revenue from continuing businesses	3,593	1,650	1,537	1,508	5,593	3	13,884
Adjusted operating profit	413	152	44	151	321	(70)	1,011
Repayment of job retention scheme monies	–	–	–	–	94	–	94
Adjusted operating profit before repayment of job retention scheme monies	413	152	44	151	415	(70)	1,105
Adjusted operating margin %	11.5%	9.2%	2.9%	10.0%	5.7%		7.3%

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2022							
External revenue from continuing businesses at actual rates	**3,735**	**2,016**	**1,722**	**1,827**	**7,697**	**–**	**16,997**
2021							
External revenue from continuing businesses at actual rates	3,593	1,650	1,537	1,508	5,593	3	13,884
Impact of foreign exchange	36	54	18	27	(88)	–	47
External revenue from continuing businesses at constant currency	3,629	1,704	1,555	1,535	5,505	3	13,931
% change at constant currency	+3%	+18%	+11%	+19%	+40%		+22%

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2022							
Adjusted operating profit at actual rates	**399**	**162**	**47**	**159**	**756**	**(88)**	**1,435**
2021							
Adjusted operating profit at actual rates	413	152	44	151	321	(70)	1,011
Impact of foreign exchange	5	18	–	3	1	–	27
Adjusted operating profit at constant currency	418	170	44	154	322	(70)	1,038
% change at constant currency	-5%	-5%	+7%	+3%	+135%		+38%

Note C

	2022	2021
Adjusted earnings per share (pence)	**131.1**	80.1
Dividends relating to the year (pence) – excluding special dividend proposed	**43.7**	26.7
Dividend cover	**3.00**	3.00

Note D

From the cash flow statement	**2022 £m**	2021 £m
Purchase of property, plant and equipment	**680**	551
Purchase of intangibles	**89**	76
	769	627

Note E

From the cash flow statement	**2022 £m**	2021 £m
Purchase of property, plant and equipment	**680**	551
Purchase of intangibles	**89**	76
Purchase of subsidiaries, joint ventures and associates	**154**	57
Purchase of shares in subsidiary undertaking from non-controlling interests	**–**	23
Purchase of other investments	**7**	14
	930	721

Note F

	2022 £m	2021 £m	2020 £m
Adjusted operating profit	**1,435**	1,011	1,024
Charged to adjusted operating profit:			
Depreciation of property, plant and equipment	**521**	535	538
Amortisation of operating intangibles	**24**	26	33
Depreciation of right-of-use assets and non-cash lease adjustments	**281**	288	289
Impairment of property, plant and equipment and right-of-use assets	**–**	–	15
Adjusted EBITDA	**2,261**	1,860	1,899
Net debt including lease liabilities	**(1,764)**	(1,380)	(2,081)
Financial leverage ratio	**0.8**	0.7	1.1

Note G

	2022 £m	2021 £m	2020 £m
Net cash before lease liabilities	**1,488**	1,901	1,558
Qualifying debt	**400**	72	236
Qualifying credit facilities	**1,500**	1,088	1,088
Total liquidity	**3,388**	3,061	2,882