For release 3 November 2020

Associated British Foods plc

Annual Results Announcement

Year ended 12 September 2020

For release 3 November 2020

ASSOCIATED BRITISH FOODS PLC RESULTS FOR 52 WEEKS ENDED 12 SEPTEMBER 2020

Very strong delivery in food, robust performance in retail

Financial Headlines

		2019 IFRS 16 pro forma Actual currency	2019 IFRS 16 pro forma Constant currency	2019 as reported Actual currency
• Group revenue	£13,937m	-12%	-11%	-12%
• Adjusted operating profit	£1,024m	-31%	-30%	-28%
• Adjusted profit before tax	£914m	-34%		-35%
• Adjusted earnings per share	81.1p	-40%		-41%
• Dividend per share	nil			
• Gross investment	£641m			
• Net cash (before lease liabilities)	£1,558m			
• Net debt (including lease liabilities)	£2,081m			
• Statutory operating profit	£810m	-40%		-37%
• Statutory profit before tax	£686m	-40%		-42%
• Basic earnings per share	57.6p	-47%		-48%

Statutory operating profit for the year reduced to £810m from £1,282m last year, driven by the reduction in adjusted operating profit and an increase in the net exceptional charges to £156m this year from £79m last year.

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

"I am proud of how our people have responded to the many challenges presented by COVID-19. Throughout, we have provided safe, nutritious food under the most extraordinary conditions, proving the value and resilience of our supply chains. Our food businesses delivered an adjusted operating profit increase of 26%, driven by high demand and improved productivity.

"Following a three-month closure, Primark delivered a robust performance, receiving an overwhelmingly positive response when it safely welcomed customers back to its stores. Uncertainty about temporary store closures in the short-term remains, but sales since reopening to the year end of £2bn demonstrate the relevance and appeal of our value-for-money offering.

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

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.

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

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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 £13.9bn and 133,000 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 12 September 2020

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Results

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

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

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

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

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

Leadership

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

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

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

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

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

Corporate responsibility

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

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

Dividends

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

Outlook

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

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

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

Thank you to our employees

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

Michael McLintock
Chairman

CHIEF EXECUTIVE'S STATEMENT

I am proud of how our people have responded to the many challenges presented by COVID-19 this year. All of our people demonstrated care, good judgement and immense hard work. At the time of our half year we had lost two of our employees to COVID-19. Now we have lost nine. We mourn them all.

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

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

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

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

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

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

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

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

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

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

Over the coming year Primark sales will continue to reflect the broader trend in consumer demand. The autumn/winter season and the run up to Christmas is important to the retail sector. Our stores have exciting seasonal ranges which are already proving a success with our customers. However, at the time of writing, governments are increasing the restrictions on the movement of people and trading activity. In some parts of

Europe and the UK this has led to a reduction in trading hours or the temporary closure of stores. In England, temporary store closures are expected from 5 November. Uncertainty during a significant trading period remains.

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

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

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

OPERATING REVIEW

The table below shows comparative adjusted operating profit on both an IFRS 16 pro forma basis and as reported. Note 1 to these accounts shows the results by segment on a reported basis only.

	52 weeks ended 12 September 2020 (IFRS 16) £m	52 weeks ended 14 September 2019 (IFRS 16 pro forma basis) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Operating segments			
Grocery	**437**	381	381
Sugar	**100**	30	26
Agriculture	**43**	42	42
Ingredients	**147**	137	136
Retail	**362**	969	913
Central	**(63)**	(76)	(76)
	1,026	1,483	1,422
Businesses disposed:			
Grocery	**(1)**	(1)	(1)
Ingredients	**(1)**	–	–
	1,024	1,482	1,421

The revenue and adjusted operating profit growth commentary in this Operating Review are stated at constant currency as defined in note 13, and adjusted operating profit growth is based on 2019 comparatives on an IFRS 16 pro forma basis.

Grocery

Ongoing businesses	**2020**	2019	Actual fx	Constant fx
Revenue £m	**3,528**	3,498	+1%	+2%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**437**	381	+15%	+15%
Adjusted operating profit (reported comparatives) £m	**437**	381	+15%	
Adjusted operating profit margin (IFRS 16 pro forma comparatives)	**12.4%**	10.9%		
Return on average capital employed (IFRS 16 pro forma comparatives)	**31.3%**	26.2%		

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

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

Twinings made good progress this year with volume growth in black tea and infusions in the retail channel in each of its major markets. In the second half of the year the benefits from an increase in home consumption more than offset a decline in the much smaller out-of-home channels. A key driver was the growth in healthy teas with the launch of a Twinings Infusions range in France for the first time and the expansion of the Wellness range in the US. Sales of Ovaltine were held back by the impact of COVID-19 on impulse sales, particularly in Thailand

and Vietnam, partially offset by successful new product launches in Switzerland and Brazil. Overall margins improved and also benefited from a full year of production efficiencies following the closure of our tea factory in China last year.

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

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

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

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

Sugar

	2020	2019	Actual fx	Constant fx
Revenue £m	**1,594**	1,608	-1%	+5%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**100**	30	+233%	+376%
Adjusted operating profit (reported comparatives) £m	**100**	26	+285%	
Adjusted operating profit margin (IFRS 16 pro forma comparatives)	**6.3%**	1.9%		
Return on average capital employed (IFRS 16 pro forma comparatives)	**6.3%**	1.8%		

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

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

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

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

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

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

Agriculture

	2020	2019	Actual fx	Constant fx
Revenue £m	**1,395**	1,385	+1%	+1%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**43**	42	+2%	+2%
Adjusted operating profit (reported comparatives) £m	**43**	42	+2%	
Adjusted operating profit margin (IFRS 16 pro forma comparatives)	**3.1%**	3.0%		
Return on average capital employed (IFRS 16 pro forma comparatives)	**10.5%**	10.3%		

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

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

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

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

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

Ingredients

Ongoing businesses	2020	2019	Actual fx	Constant fx
Revenue £m	**1,503**	1,505	In line	+3%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**147**	137	+7%	+10%
Adjusted operating profit (reported comparatives) £m	**147**	136	+8%	
Adjusted operating profit margin (IFRS 16 pro forma comparatives)	**9.8%**	9.1%		
Return on average capital employed (IFRS 16 pro forma comparatives)	**16.7%**	15.5%		

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

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

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

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

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

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

Retail

	2020	2019	Actual fx	Constant fx
Revenue £m	**5,895**	7,792	-24%	-24%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**362**	969	-63%	-62%
Adjusted operating profit (reported comparatives) £m	**362**	913	-60%	
Adjusted operating profit margin (IFRS 16 pro forma comparatives)	**6.1%**	12.4%		
Return on average capital employed (IFRS 16 pro forma comparatives)	**5.6%**	15.2%		

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

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

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

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

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

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

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

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

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

While the stores were closed a number of actions were taken to reduce the overhead costs of the business and mitigate the monthly cash outflow. This included access to UK and European government job retention schemes designed to provide income for those employees no longer working and to preserve their continued employment. We entered into discussions with other counterparties, in particular landlords to seek help with lease payments. Relief from UK and Republic of Ireland business rates for the calendar year from April to March was very welcome. As we began to mitigate costs we prioritised more funds to support our suppliers. We established a wages fund to ensure workers were paid as soon as possible for goods in production for Primark in the most vulnerable countries and £23m has been paid out. We have now committed to pay for all garments both finished and in production as well as any fabric costs incurred for Primark prior to the stores closing. Orders worth £1.25bn have been placed with our suppliers for goods for the autumn/winter season.

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

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

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

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

New store openings in the year ended 12 September 2020:

UK
Manchester Trafford Centre

Belgium
Mons

France
Lens Noyelles
Paris Belle Épine
Paris Plaisir
Strasbourg

Germany
Kiel
Berlin Gropius Passagen

Italy
Milan Fiordaliso

Poland
Warsaw Galeria Mlociny

Spain
Seville Lagoh
Barcelona Plaza de Cataluña

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

George Weston
Chief Executive

Group performance

Group revenue reduced by 12% on a reported basis to £13.9bn mainly as a result of the total loss of sales for the period in which Primark's stores were closed. On a reported basis adjusted operating profit was 28% lower at £1,024m. These financial statements adopt IFRS 16 *Leases* in the current year and under our chosen transition option the prior year has not been restated. Adjusted operating profit for last year on an IFRS 16 proforma basis would have been £61m higher than the £1,421m reported. Comparative adjusted operating profit for the business segments on an IFRS 16 pro forma basis is set out in the operating review. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles, profits or losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items are excluded from statutory operating profit.

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

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

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

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

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

Acquisitions and disposals

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

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

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

Taxation

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

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

The total tax charge for the year of £221m benefited from a credit of £42m (2019 - £25m) for tax relief on the amortisation on non-operating intangible assets, amortisation of acquired inventory fair value adjustments, profits on disposal of non-current assets, losses on disposal of businesses and exceptional items.

Earnings and dividends

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

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

Balance sheet

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

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

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

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

The group's net assets are broadly unchanged at £9.4bn. Return on capital employed for the group which is calculated by expressing adjusted operating profit as a percentage of the average capital employed for the year, was lower this year at 9.5% compared with 13.8% last year on an IFRS pro forma basis, driven by the reduction in Primark's profit.

Cash flow

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

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

Financing and liquidity

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

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

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

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

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

Pensions

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

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

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

New accounting standards

The accounting policies applied during this financial year, and details of the impact of adoption of new accounting standards in future financial years, are set out in note 12 of this annual results announcement.

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

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over income Tax Treatments*

- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*
- *Annual Improvements to IFRS 2015-2017*

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

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

We transitioned using the 'modified retrospective' approach, under which the comparative period is not restated. The effects of adopting IFRS 16 at our transition date of 15 September 2019 and the 2019 results on an IFRS 16 pro forma basis are set out in note 12 of this annual results announcement. We recognised lease liabilities at transition of £3.7bn and right-of-use assets of £3.2bn.

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

- The balance sheet at transition would have shown net debt including lease liabilities of £2.7bn.
- Adjusted operating profit in 2019 would have increased by £61m, with rental expense replaced by depreciation of right-of-use assets.
- Interest expense in 2019 would have increased by £82m of interest charged on lease liabilities.
- Adjusted profit before tax in 2019 would have reduced by £21m.
- Adjusted earnings per share would have reduced by 2% from 137.5p to 135.4p.
- Primark's margin would have increased from 11.7% to 12.4% due to higher adjusted operating profit, with store rental expense replaced with a depreciation charge on right-of-use assets.
- Primark's return on capital employed would have decreased from 29% to 15%, as right-of-use assets are now included in capital employed.

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

John Bason
Finance Director

The annual report and accounts is available at www.abf.co.uk and will be despatched to shareholders on 5 November 2020. The annual general meeting will be held at 11am on Friday, 4 December 2020. Regrettably, shareholders will be unable to attend in person but will be able to access a live broadcast of the meeting on the web and by telephone, further details of which are provided in the Notice of Annual General Meeting.

RISK MANAGEMENT

Our approach to risk management

The delivery of our strategic objectives and the sustainable growth (or long-term shareholder value) of our business, is dependent on effective risk management. We regularly face business uncertainties and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities when they arise. These disciplines have proved to be effective as we navigate our way through the challenges resulting from the COVID-19 pandemic.

The diversified nature of our operations, geographical reach, assets and currencies are important factors in mitigating the risk of a material threat to the group's sustainable growth and long-term shareholder value. However, as with any business, risks and uncertainties are inherent in our business activities. These risks may have a financial, operational or reputational impact.

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

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

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

The group's Director of Financial Control receives the risk assessments on an annual basis and, with the Finance Director, reviews and challenges them with the divisional chief executives, on an individual basis.

These discussions are wide ranging and consider operational, environmental and other external risks. These risks and their impact on business performance are reported during the year and are considered as part of the monthly management review process.

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

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

Key areas of focus this year

Effective risk management processes and internal controls

We continued to seek improvements in our risk management processes to ensure the quality and integrity of information and the ability to respond swiftly to direct risks. During the year, the Audit Committee on behalf of the Board conducted reviews on the effectiveness of the group's risk management processes and internal controls in accordance with the 2018 UK Corporate Governance Code. Our approach to risk management and systems of internal control is in line with the recommendations in the Financial Reporting Council's (FRC) revised guidance 'Risk management, internal control and related financial and business reporting' (the Risk Guidance).

The Board is satisfied that internal controls were properly reviewed and key risks are being appropriately identified and managed.

COVID-19

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

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

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

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

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

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

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

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

EU Exit

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

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

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

- Imports to the UK – The UK government has indicated the tariffs on imports in the absence of a free trade agreement. We expect these to have a net positive impact on the group. All necessary registrations have been completed. Where goods are imported into the UK by third parties on behalf of the businesses, assurances have been sought that these will be available when required.
- Disruption to EU-UK logistics – The businesses that could be impacted by this have reviewed their exposure and where appropriate have plans to increase inventory levels to partially mitigate the risk. The ability to do this is constrained by warehouse availability and the shelf life of the goods.
- Data – Where necessary, the businesses have agreed Standard Contractual Terms to enable certain personal data to be transferred from the EU to the UK.
- People – The businesses have publicised the UK government's Settled Status Scheme and where appropriate have assisted employees with the application process.

Our principal risks and uncertainties

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

Associated British Foods is exposed to a variety of other risks related to a range of issues such as human resources and talent, community relations, the regulatory environment and competition. These are managed as part of the risk process and a number of these are referred to in our 2020 Responsibility Update. Here, we report the principal risks which we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation.

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

The 'Changes since 2019' describe our experience and activity over the last year.

PRINCIPAL RISKS AND UNCERTAINTIES

External risks

Risk trend	Context and potential impact	Mitigation	Changes since 2019
△	**Movement in exchange rates**		
	Associated British Foods is a multinational group with operations and transactions in many currencies. Changes in exchange rates give rise to transactional exposures within the businesses and to translation exposures when the assets, liabilities and results of overseas entities are translated into sterling upon consolidation.	Our businesses constantly review their currency exposures and their hedging instruments and, where necessary, ensure appropriate actions are taken to manage the impact of currency movements. Board-approved policies require businesses to hedge all transactional currency exposures and long-term supply or purchase contracts which are denominated in a foreign currency, using foreign exchange forward contracts. Cash balances and borrowings are largely maintained in the functional currency of the local operations. Cross-currency swaps are used to align borrowings with the underlying currencies of the group's net assets (refer to note 26 to the financial statements for more information).	Sterling strengthened against some of our major trading currencies this year, resulting in a loss on translation of £16m. Primark covers its currency exposure on purchases of merchandise denominated in foreign currencies at the time of placing orders, with an average tenor of Primark's hedging activity of between 3 and 4 months. There was a minimal transactional effect from changes in the US dollar exchange rate on Primark's largely dollar denominated purchases for the year in aggregate. There has been a greater level of volatility in sterling exchange rates against our major trading currencies during the financial year, caused in part by the impact of the COVID-19 pandemic and by continued EU exit uncertainty.
◁▷	**Fluctuations in commodity and energy prices**		
	Changes in commodity and energy prices can have a material impact on the group's operating results, asset values and cash flows.	The group purchases a wide range of commodities in the ordinary course of business. We constantly monitor the markets in which we operate and manage certain of these exposures with exchange traded contracts and hedging instruments. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.	EU sugar prices increased this year with a reduction in stocks following lower EU sugar production in the last two campaigns. The price of UK wheat, a key commodity for our UK bakery business, increased during the course of the year as a result of the impact of poor weather conditions on yields.
△	**Health and nutrition**		
	Failure to adapt to changing consumer health choices or to address nutrition concerns in the formulation of our products could result in a loss of consumer base and impact business performance.	Consumer preferences and market trends are monitored continually. Recipes are regularly reviewed and reformulated to improve the nutritional value of our products. All of our grocery products are labelled with nutritional information. We develop partnerships with other organisations to promote healthy options. Pre-COVID-19, our specialist sports-nutrition brand HIGH5 typically supports over 600 events which promote exercise across the UK each year, helping over 500,000 people improve their fitness levels. These events are predominantly promoted on-line, and HIGH5 assist in this promotion by highlighting events on their website and via social media in conjunction with nutritional advice. We invest in research with experts to improve our understanding of the science and societal trends to support policy approach.	Our Sugar and Grocery businesses have invested in communication linked to nutrition and health during the year to help consumers make informed choices about their diet. Notable examples include the Ryvita 'Fibre Fit' campaign in the UK, through which the business engaged over 50,000 consumers in relation to the benefit of a high fibre diet. In addition, our sugar business's campaign 'Making Sense of Sugar' has developed into a global platform. The aim is to provide factual information based on robust science to help inform and educate people about sugar and the role it can play as part of a healthy balanced diet. Our businesses continue to assess the nutritional content of their products on an ongoing basis; and engage with stakeholders, directly and through trade associations, in relation to changes to the regulatory and consumer operating environment.

△	**Operating in global markets**		
	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.	Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The group's financial control framework and Board-adopted tax and treasury policies require all businesses to comply fully with relevant local laws. Provision is made for known issues based on management's interpretation of country-specific tax law, EU cases and investigations on tax rulings and their likely outcomes. By their nature socio-political events are largely unpredictable. Nonetheless our businesses have detailed contingency plans which include site-level emergency responses and improved security for employees. We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy. AB Sugar continues to reduce its cost base through its performance improvement programme. We conduct rigorous due diligence when entering, or commencing business activities in, new markets.	Increased uncertainty as a result of the COVID-19 pandemic. Authorities continue to impose restrictions on both a regional and local basis. High inflation continued to adversely affect our yeast and bakery ingredients business based in Argentina. 12 new Primark stores were opened in the year including our first store in Poland.

Operational risks

Risk trend	Context and potential impact	Mitigation	Changes since 2019
△	**Workplace health and safety**		
	Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and visitors.	Safety continues to be one of our main priorities. The chief executives of each business, who lead by example, are accountable for the safety performance of their business. Our Health and Safety Policy and Practices are firmly embedded in each business, supporting a strong ethos of workplace safety. We have a continuous safety audit programme to verify implementation of safety management and support a culture of continuous improvement. Best practice safety and occupational health guidance is shared across the businesses, co-ordinated from the corporate centre, to supplement the delivery of their own programmes.	The safety performance of the group is reported in the 2020 Responsibility Update at www.abf.co.uk/responsibility. In 2020 there were three work-related fatalities in our Spanish and southern Africa operations. Our businesses have conducted thorough root cause analyses and are implementing safety changes. This year, over £46m was invested in safety risk management, of which £14m was dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. At the start of the COVID-19 outbreak, we established a group level steering committee to respond in a timely manner to the dynamic changes including reimagining working environments for many of our people. Other investments this year included measures to improve working in confined spaces and at height, fire risk assessments and equipment upgrades, dust monitoring and air quality, improvements to lighting and safety signage and emergency first aid training.

◁▷	**Product safety and quality**		
	As a leading food manufacturer and retailer, it is vital that we manage the safety and quality of our products throughout the supply chain.	Product safety is put before economic considerations. We operate strict food safety and traceability policies within an organisational culture of hygiene and product safety to ensure consistently high standards in our operations and in the sourcing and handling of raw materials and garments. Food quality and safety audits are conducted across all our manufacturing sites, by independent third parties and customers, and a due diligence programme is in place to ensure the safety of our retail products. Our sites comply with international food safety and quality management standards and our businesses conduct regular mock product incident exercises. 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.	We did not have any major product recalls. Businesses have continued to define and refine KPIs in this area.

△ **Our use of natural resources and managing our environmental impact**

Our businesses rely on a secure supply of natural resources, some of which are vulnerable to external factors such as natural disasters and climate change. Our material environmental impacts are energy use and resultant greenhouse gas emissions, water abstraction and management, waste management and packaging.

In our assessment of climate-related business risks, we recognise that the cumulative impacts of changes in weather and water availability could affect our operations at a group level. The diversified nature of Associated British Foods means that mitigation or adaptation strategies are considered and implemented by individual businesses and divisions.

Our operations generate a range of emissions such as dust, waste water and waste which, if not controlled, could pose a risk to the environment, local communities and result in additional costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our supply chain and ethical business practices

As an international business with suppliers and representatives the world over, people with whom we deal and in particular our suppliers and our representatives must live up to our values and standards and share that responsibility.

We therefore work with them to ensure reliability and to help them meet our standards of product quality and safety, acceptable working conditions, financial stability, ethics and technical competence. Potential supply chain and ethical business practice risks include:

- supply chain weaknesses such as poor conditions for the workforce;
- unacceptable and unethical behaviour including bribery, corruption and slavery risk; and
- impact on reliability of supply and business continuity due to unforeseen incidents e.g. natural disasters.

Our Supplier Code of Conduct is designed to ensure suppliers, representatives and all with whom we deal, adhere to our values and standards. The full Code is available at www.abf.co.uk/supplier_code_of_conduct.

Suppliers are expected to sign and abide by this Code.

Adherence to the Code is verified through our supplier audit system with our procurement and operational teams establishing strong working relationships with suppliers to help them meet our standards.

All businesses are required to comply with the group's Business Principles including its Anti-Bribery and Corruption Policy.

We have developed a Company-wide online training module about modern slavery to help accelerate awareness-raising and give businesses the tools to train people.

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

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

Our Modern Slavery and Human Trafficking Statement 2020, together with the steps we take to try to ensure that any forms of modern slavery are not present within our own operations or supply chain, are reported in detail in the 2020 Responsibility Update at www.abf.co.uk/responsibility.

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

△	Breaches of IT and information security		
	To meet customer, consumer and supplier needs, our IT infrastructure needs to be flexible, reliable and secure to allow us to interact through technology. Our delivery of efficient and effective operations is enhanced by the use of relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as computer viruses and the loss or theft of data. There is the potential for disruption to operations from data centre failures, IT malfunctions or external cyber-attacks.	In parallel to building IT roadmaps and developing our technology systems, we invest in developing the IT skills and capabilities of our people across our businesses. We continue to actively monitor and mitigate any cyber-threats and suspicious IT activity. We have established group IT security policies, technologies and processes, all of which are subject to regular internal audit. Access to sensitive data is restricted and closely monitored. Robust disaster recovery plans are in place for business-critical applications and are adequately tested. Technical security controls are in place over key IT platforms with the Chief Information Security Officer (CISO) tasked with identifying and responding to potential security risks.	The significant increase in employees working at home, as a result of COVID-19 restrictions, has had an impact on the delivery of IT services and increased our IT and information security risks. There is an ongoing programme of investment in both technology and people to enhance the longevity of our IT environments. To support seamless homeworking we have modified our IT infrastructure, increased bandwidth with our telecommunications partners and deployed collaboration tools. The extent of remote working has increased the risk of users falling victim to phishing attacks because users rely primarily on email communication. We have an ongoing phishing testing regime and there is regular communication with all users to remind them of the risks. We have raised the level of monitoring for phishing attempts and other security threats. In addition, we have issued security awareness advice on secure home-working best practices. Improved cyber-security capability is in place within the group and across the businesses allowing us to more effectively detect, respond and recover from disruptive cyber-threats. We have also increased disciplines to ensure that user devices are regularly patched and upgraded to reflect changing IT security threats. Revised guidance for laptop and desktop patching has been issued to all businesses to ensure that systems are up to date and secure. During the year we have reviewed and tested IT disaster recovery plans across the businesses.

Viability statement

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

The directors considered the group's profitability, cash flows and key financial ratios over this period and the potential impact that the Principal Risks and Uncertainties set out on pages 18 to 23 could have on future performance, solvency or liquidity of the group and its resilience to threats to its viability posed by severe but plausible scenarios. Sensitivity analysis was applied to these metrics and the projected cash flows were stress tested against a range of scenarios.

The directors considered the level of performance that would cause the group to exhaust its available liquidity; to breach its debt covenants; the financial implications of making any strategic acquisitions and a variety of factors that have the potential to reduce profit substantially. We considered actions which could damage the group's reputation for the long term, macro-economic influences such as fluctuations in commodity markets and the possible implications of a no-deal Brexit, and climate-related business risks. Specific consideration has been given to the potential ongoing risks associated with COVID-19. These risks include its impact on Primark's trading performance and to a lesser extent our ability to run our factories efficiently with the potential for disruption through shortage of labour or logistical issues caused by port constraints.

At the year end the group had gross cash of £2,030m and £1,088m of undrawn committed Revolving Credit Facilities (RCF) which together provide some £3,118m of liquidity. In August, a two-year extension to the group's RCF was agreed with its relationship banks extending the maturity of the facility to July 2023. During the course of this assessment £261m of the £336m of outstanding private placement notes will mature and the RCF will require refinancing. Based on discussions with our relationship banks and our private placement investors, it is the opinion of the Board that these facilities can be renewed and that substantial further funding could be secured should the need arise.

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

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

Even in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period, the possibility of the group having insufficient resources to meet its financial obligations is considered extremely remote. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 16 September 2023.

Going concern

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

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

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

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

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

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

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

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 12 September 2020 which may be found at www.abf.co.uk and will be despatched to shareholders on 5 November 2020. 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	**George Weston**	**John Bason**
Chairman	**Chief Executive**	**Finance Director**

3 November 2020

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 12 September 2020

Continuing operations	Note	2020 £m	2019 £m
Revenue	1	**13,937**	15,824
Operating costs before exceptional items		**(13,046)**	(14,524)
Exceptional items	2	**(156)**	(79)
		735	1,221
Share of profit after tax from joint ventures and associates		**57**	57
Profits less losses on disposal of non-current assets		**18**	4
Operating profit		**810**	1,282
Adjusted operating profit	1	**1,024**	1,421
Profits less losses on disposal of non-current assets		**18**	4
Amortisation of non-operating intangibles		**(59)**	(47)
Acquired inventory fair value adjustments		**(15)**	(15)
Transaction costs		**(2)**	(2)
Exceptional items		**(156)**	(79)
Profits less losses on sale and closure of businesses	7	**(14)**	(94)
Profit before interest		**796**	1,188
Finance income		**11**	15
Finance expense	3	**(124)**	(42)
Other financial income		**3**	12
Profit before taxation		**686**	1,173
Adjusted profit before taxation		**914**	1,406
Profits less losses on disposal of non-current assets		**18**	4
Amortisation of non-operating intangibles		**(59)**	(47)
Acquired inventory fair value adjustments		**(15)**	(15)
Transaction costs		**(2)**	(2)
Exceptional items		**(156)**	(79)
Profits less losses on sale and closure of businesses		**(14)**	(94)
Taxation – UK (excluding tax on exceptional items)		**(69)**	(75)
– UK (on exceptional items)		**1**	12
– Overseas (excluding tax on exceptional items)		**(189)**	(214)
– Overseas (on exceptional items)		**36**	–
	4	**(221)**	(277)
Profit for the period		**465**	896
Attributable to			
Equity shareholders		**455**	878
Non-controlling interests		**10**	18
Profit for the period		**465**	896
Basic and diluted earnings per ordinary share (pence)	5	**57.6**	111.1
Dividends per share paid and proposed for the period (pence)	6	**nil**	46.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 12 September 2020

	2020 £m	2019 £m
Profit for the period recognised in the income statement	**465**	896
Other comprehensive income		
Remeasurements of defined benefit schemes	**(89)**	(407)
Deferred tax associated with defined benefit schemes	**15**	68
Current tax associated with defined benefit schemes	**–**	2
Items that will not be reclassified to profit or loss	**(74)**	(337)
Effect of movements in foreign exchange	**(97)**	43
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(3)**	3
Deferred tax associated with movements in foreign exchange	**1**	–
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	(3)
Movement in cash flow hedging position	**(15)**	(29)
Deferred tax associated with movement in cash flow hedging position	**–**	7
Share of other comprehensive income of joint ventures and associates	**(1)**	4
Effect of hyperinflationary economies	**17**	38
Deferred tax associated with hyperinflationary economies	–	(2)
Items that are or may be subsequently reclassified to profit or loss	**(98)**	61
Other comprehensive loss for the period	**(172)**	(276)
Total comprehensive income for the period	**293**	620
Attributable to		
Equity shareholders	**296**	601
Non-controlling interests	**(3)**	19
Total comprehensive income for the period	**293**	620

CONSOLIDATED BALANCE SHEET

At 12 September 2020

	2020 £m	2019 £m
Non-current assets		
Intangible assets	**1,629**	1,681
Property, plant and equipment	**5,651**	5,769
Right-of-use assets	**2,990**	–
Investments in joint ventures	**233**	225
Investments in associates	**56**	50
Employee benefits assets	**100**	228
Deferred tax assets	**212**	160
Other receivables	**45**	51
Total non-current assets	**10,916**	8,164
Current assets		
Assets classified as held for sale	**43**	43
Inventories	**2,150**	2,386
Biological assets	**72**	84
Trade and other receivables	**1,328**	1,436
Derivative assets	**102**	99
Current asset investments	**32**	29
Income tax	**30**	24
Cash and cash equivalents	**1,996**	1,495
Total current assets	**5,753**	5,596
Total assets	**16,669**	13,760
Current liabilities		
Liabilities classified as held for sale	**(5)**	(6)
Lease liabilities	**(297)**	–
Loans and overdrafts	**(154)**	(227)
Trade and other payables	**(2,316)**	(2,556)
Derivative liabilities	**(87)**	(52)
Income tax	**(171)**	(163)
Provisions	**(123)**	(64)
Total current liabilities	**(3,153)**	(3,068)
Non-current liabilities		
Lease liabilities	**(3,342)**	–
Loans	**(318)**	(361)
Other payables	**–**	(271)
Provisions	**(41)**	(54)
Deferred tax liabilities	**(210)**	(261)
Employee benefits liabilities	**(166)**	(195)
Total non-current liabilities	**(4,077)**	(1,142)
Total liabilities	**(7,230)**	(4,210)
Net assets	**9,439**	9,550
Equity		
Issued capital	**45**	45
Other reserves	**175**	175
Translation reserve	**323**	409
Hedging reserve	**(7)**	(9)
Retained earnings	**8,819**	8,832
Total equity attributable to equity shareholders	**9,355**	9,452
Non-controlling interests	**84**	98
Total equity	**9,439**	9,550

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 12 September 2020

	2020 £m	2019 £m
Cash flow from operating activities		
Profit before taxation	**686**	1,173
Profits less losses on disposal of non-current assets	**(18)**	(4)
Profits less losses on sale and closure of businesses	**14**	94
Transaction costs	**2**	2
Finance income	**(11)**	(15)
Finance expense	**124**	42
Other financial income	**(3)**	(12)
Share of profit after tax from joint ventures and associates	**(57)**	(57)
Amortisation	**89**	68
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	**827**	544
Impairment of property, plant & equipment and right-of-use assets	**15**	–
Exceptional items	**156**	79
Acquired inventory fair value adjustments	**15**	15
Effect of hyperinflationary economies	**5**	6
Net change in the fair value of current biological assets	**(1)**	–
Share-based payment expense	**8**	22
Pension costs less contributions	**10**	(10)
Decrease/(increase) in inventories	**199**	(202)
Decrease in receivables	**81**	18
(Decrease)/increase in payables	**(174)**	44
Purchases less sales of current biological assets	**(1)**	(1)
Increase/(decrease) in provisions	**41**	(28)
Cash generated from operations	**2,007**	1,778
Income taxes paid	**(254)**	(269)
Net cash from operating activities	**1,753**	1,509
Cash flows from investing activities		
Dividends received from joint ventures and associates	**43**	52
Purchase of property, plant and equipment	**(561)**	(680)
Purchase of intangibles	**(61)**	(57)
Lease incentives received	**35**	–
Sale of property, plant and equipment	**30**	12
Purchase of subsidiaries, joint ventures and associates	**(16)**	(84)
Sale of subsidiaries, joint ventures and associates	**2**	6
Purchase of other investments	**(1)**	–
Interest received	**11**	20
Net cash from investing activities	**(518)**	(731)
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(7)**	(4)
Dividends paid to equity shareholders	**(271)**	(358)
Interest paid	**(104)**	(43)
Repayment of lease liabilities	**(247)**	–
Decrease in short-term loans	**(43)**	(263)
(Decrease)/increase in long-term loans	**(2)**	2
(Increase)/decrease in current asset investments	**(2)**	1
Purchase of shares in subsidiary undertaking from non-controlling interests	**(2)**	(1)
Movements from changes in own shares held	**–**	(25)
Net cash from financing activities	**(678)**	(691)
Net increase in cash and cash equivalents	**557**	87
Cash and cash equivalents at the beginning of the period	**1,358**	1,271
Effect of movements in foreign exchange	**(6)**	–
Cash and cash equivalents at the end of the period	**1,909**	1,358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 14 September 2019

	Note	Attributable to equity shareholders						Non-controlling interests £m	Total equity £m
		Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m		
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	878	878	18	896
Remeasurements of defined benefit schemes		–	–	–	–	(407)	(407)	–	(407)
Deferred tax associated with defined benefit schemes		–	–	–	–	68	68	–	68
Current tax associated with defined benefit schemes		–	–	–	–	2	2	–	2
Items that will not be reclassified to profit or loss		–	–	–	–	(337)	(337)	–	(337)
Effect of movements in foreign exchange		–	–	42	–	–	42	1	43
Net gain on hedge of net investment in foreign subsidiaries		–	–	3	–	–	3	–	3
Movements in foreign exchange on businesses disposed		–	–	(3)	–	–	(3)	–	(3)
Movement in cash flow hedging position		–	–	–	(29)	–	(29)	–	(29)
Deferred tax associated with movement in cash flow hedging position		–	–	–	7	–	7	–	7
Share of other comprehensive income of joint ventures and associates		–	–	4	–	–	4	–	4
Effect of hyperinflationary economies		–	–	–	–	38	38	–	38
Deferred tax associated with hyperinflationary economy		–	–	–	–	(2)	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	46	(22)	36	60	1	61
Other comprehensive income		–	–	46	(22)	(301)	(277)	1	(276)
Total comprehensive income		–	–	46	(22)	577	601	19	620
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(358)	(358)	–	(358)
Net movement in own shares held		–	–	–	–	(3)	(3)	–	(3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(4)	(4)
Acquisition and disposal of non-controlling interests		–	–	–	–	1	1	(2)	(1)
Total transactions with owners		–	–	–	–	(360)	(360)	(6)	(366)
Balance as at 14 September 2019		45	175	409	(9)	8,832	9,452	98	9,550

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 12 September 2020

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 14 September 2019		45	175	409	(9)	8,832	9,452	98	9,550
IFRS 16 opening balance adjustment		–	–	–	–	(149)	(149)	(1)	(150)
Balance as at 15 September 2019		45	175	409	(9)	8,683	9,303	97	9,400
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	455	455	10	465
Remeasurements of defined benefit schemes		–	–	–	–	(89)	(89)	–	(89)
Deferred tax associated with defined benefit schemes		–	–	–	–	15	15	–	15
Items that will not be reclassified to profit or loss		–	–	–	–	(74)	(74)	–	(74)
Effect of movements in foreign exchange		–	–	(83)	(1)	–	(84)	(13)	(97)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(3)	–	–	(3)	–	(3)
Deferred tax associated with movement in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	–	(15)	–	(15)	–	(15)
Share of other comprehensive income of joint ventures and associates		–	–	(1)	–	–	(1)	–	(1)
Effect of hyperinflationary economies		–	–	–	–	17	17	–	17
Items that are or may be subsequently reclassified to profit or loss		–	–	(86)	(16)	17	(85)	(13)	(98)
Other comprehensive income		–	–	(86)	(16)	(57)	(159)	(13)	(172)
Total comprehensive income		–	–	(86)	(16)	398	296	(3)	293
Inventory cash flow hedge movements									
Gains transferred to cost of inventory		–	–	–	18	–	18	–	18
Total inventory cash flow hedge movements		–	–	–	18	–	18	–	18
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	8	8	–	8
Deferred tax associated with share based payments		–	–	–	–	1	1	–	1
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8)	(8)
Acquisition and disposal of non-controlling interests		–	–	–	–	–	–	(2)	(2)
Total transactions with owners		–	–	–	–	(262)	(262)	(10)	(272)
Balance as at 12 September 2020		**45**	**175**	**323**	**(7)**	**8,819**	**9,355**	**84**	**9,439**

1. Operating segments

The group has five operating segments, as described below. These are the group's operating divisions, based on the management and internal reporting structure, which combine businesses with common characteristics, primarily in respect of the type of products offered by each business, but also the production processes involved and the manner of the distribution and sale of goods. The Board is the chief operating decision-maker.

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents, current asset investments and income tax assets. Segment liabilities comprise trade and other payables, derivative liabilities, provisions and lease liabilities.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, right-of-use assets, operating intangibles and biological assets. Businesses disposed are shown separately and comparatives have been re-presented for businesses sold or closed during the year.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, balsamic vinegars, bread & baked goods, cereals, ethnic foods, and meat products, which are sold to retail, wholesale and foodservice businesses.
Sugar	The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the Grocery segment.
Agriculture	The manufacture of animal feeds and the provision of other products and services for the agriculture sector.
Ingredients	The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts and cereal specialities.
Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of certain geographical information about the group's operations, based on the geographical groupings: United Kingdom; Europe & Africa; The Americas; and Asia Pacific.

Revenues are shown by reference to the geographical location of customers. Profits are shown by reference to the geographical location of the businesses. Segment assets are based on the geographical location of the assets.

	Revenue		Adjusted operating profit	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Operating segments				
Grocery	**3,528**	3,498	**437**	381
Sugar	**1,594**	1,608	**100**	26
Agriculture	**1,395**	1,385	**43**	42
Ingredients	**1,503**	1,505	**147**	136
Retail	**5,895**	7,792	**362**	913
Central	**–**	–	**(63)**	(76)
	13,915	15,788	**1,026**	1,422
Businesses disposed:				
Grocery	**13**	23	**(1)**	(1)
Ingredients	**9**	13	**(1)**	–
	13,937	15,824	**1,024**	1,421
Geographical information				
United Kingdom	**5,054**	5,971	**312**	476
Europe & Africa	**5,048**	5,992	**298**	589
The Americas	**1,619**	1,609	**254**	237
Asia Pacific	**2,194**	2,216	**162**	120
	13,915	15,788	**1,026**	1,422
Businesses disposed:				
The Americas	**–**	3	**–**	–
Asia Pacific	**22**	33	**(2)**	(1)
	13,937	15,824	**1,024**	1,421

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT CONTINUED

For the 52 weeks ended 12 September 2020

1. Operating segments for the 52 weeks ended 12 September 2020

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,530	1,658	1,398	1,685	5,895	(251)	13,915
Internal revenue	(2)	(64)	(3)	(182)	–	251	–
External revenue from continuing businesses	3,528	1,594	1,395	1,503	5,895	–	13,915
Businesses disposed	13	–	–	9	–	–	22
Revenue from external customers	3,541	1,594	1,395	1,512	5,895	–	13,937
Adjusted operating profit before joint ventures and associates	404	98	33	132	362	(63)	966
Share of profit after tax from joint ventures and associates	33	2	10	15	–	–	60
Businesses disposed	(1)	–	–	(1)	–	–	(2)
Adjusted operating profit	436	100	43	146	362	(63)	1,024
Profits less losses on disposal of non-current assets	9	7	1	(1)	3	(1)	18
Amortisation of non-operating intangibles	(52)	–	(1)	(6)	–	–	(59)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Transaction costs	–	–	–	(2)	–	–	(2)
Exceptional items	5	(23)	–	–	(138)	–	(156)
Profits less losses on sale and closure of businesses	(4)	–	–	(4)	–	(6)	(14)
Profit before interest	379	84	43	133	227	(70)	796
Finance income						11	11
Finance expense	(1)	(3)	–	–	(79)	(41)	(124)
Other financial income						3	3
Taxation						(221)	(221)
Profit for the period	378	81	43	133	148	(318)	465
Segment assets (excluding joint ventures and associates)	2,689	1,893	429	1,470	7,372	155	14,008
Investments in joint ventures and associates	51	27	136	75	–	–	289
Segment assets	2,740	1,920	565	1,545	7,372	155	14,297
Cash and cash equivalents						1,998	1,998
Current asset investments						32	32
Income tax						30	30
Deferred tax assets						212	212
Employee benefits assets						100	100
Segment liabilities	(637)	(351)	(147)	(334)	(4,523)	(219)	(6,211)
Loans and overdrafts						(472)	(472)
Income tax						(171)	(171)
Deferred tax liabilities						(210)	(210)
Employee benefits liabilities						(166)	(166)
Net assets	2,103	1,569	418	1,211	2,849	1,289	9,439
Non-current asset additions	104	88	21	97	476	13	799
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	(109)	(85)	(16)	(57)	(546)	(14)	(827)
Amortisation	(62)	(2)	(2)	(7)	(14)	(2)	(89)
Impairment of property, plant & equipment and right-of-use assets	(15)	–	–	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	(1)	–	–	(1)	–	–	(2)
Impairment of right-of-use assets on sale and closure of businesses	–	–	–	(2)	–	–	(2)

1. Operating segments for the 52 weeks ended 14 September 2019

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,502	1,667	1,388	1,680	7,792	(241)	15,788
Internal revenue	(4)	(59)	(3)	(175)	–	241	–
External revenue from continuing businesses	3,498	1,608	1,385	1,505	7,792	–	15,788
Businesses disposed	23	–	–	13	–	–	36
Revenue from external customers	3,521	1,608	1,385	1,518	7,792	–	15,824
Adjusted operating profit before joint ventures and associates	348	26	30	122	913	(76)	1,363
Share of profit after tax from joint ventures and associates	33	–	12	14	–	–	59
Businesses disposed	(1)	–	–	–	–	–	(1)
Adjusted operating profit	380	26	42	136	913	(76)	1,421
Profits less losses on disposal of non-current assets	3	–	1	–	–	–	4
Amortisation of non-operating intangibles	(40)	–	(2)	(5)	–	–	(47)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Transaction costs	(1)	–	–	(1)	–	–	(2)
Exceptional items	(65)	–	–	–	–	(14)	(79)
Profits less losses on sale and closure of businesses	4	–	(3)	(95)	–	–	(94)
Profit before interest	266	26	38	35	913	(90)	1,188
Finance income						15	15
Finance expense						(42)	(42)
Other financial income						12	12
Taxation						(277)	(277)
Profit for the period	266	26	38	35	913	(382)	896
Segment assets (excluding joint ventures and associates)	2,732	2,083	408	1,422	4,775	129	11,549
Investments in joint ventures and associates	45	26	135	69	–	–	275
Segment assets	2,777	2,109	543	1,491	4,775	129	11,824
Cash and cash equivalents						1,495	1,495
Current asset investments						29	29
Income tax						24	24
Deferred tax assets						160	160
Employee benefits assets						228	228
Segment liabilities	(540)	(388)	(137)	(278)	(1,476)	(184)	(3,003)
Loans and overdrafts						(588)	(588)
Income tax						(163)	(163)
Deferred tax liabilities						(261)	(261)
Employee benefits liabilities						(195)	(195)
Net assets	2,237	1,721	406	1,213	3,299	674	9,550
Non-current asset additions	132	98	14	93	382	13	732
Depreciation	(96)	(79)	(12)	(51)	(303)	(3)	(544)
Amortisation	(53)	(2)	(3)	(7)	(2)	(1)	(68)
Impairment of goodwill on sale and closure of businesses	–	–	(3)	(56)	–	–	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	–	–	(32)

1. Operating segments – geographical information

2020

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,054	5,048	1,619	2,216	13,937
Segment assets	5,249	6,263	1,314	1,471	14,297
Non-current asset additions	197	406	128	68	799
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	(292)	(397)	(70)	(68)	(827)
Amortisation	(48)	(27)	(6)	(8)	(89)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of property, plant & equipment and right-of-use assets	(15)	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(2)	(2)
Impairment of right-of-use assets on sale and closure of businesses	–	–	–	(2)	(2)
Transaction costs	–	(1)	–	(1)	(2)
Exceptional items	(4)	(108)	(44)	–	(156)

2019

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,971	5,992	1,612	2,249	15,824
Segment assets	4,406	4,842	1,194	1,382	11,824
Non-current asset additions	255	345	57	75	732
Depreciation	(191)	(247)	(45)	(61)	(544)
Amortisation	(41)	(16)	(4)	(7)	(68)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of goodwill on sale and closure of businesses	(3)	–	–	(56)	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	(32)
Transaction costs	–	(1)	(1)	–	(2)
Exceptional items	(79)	–	–	–	(79)

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

	Revenue		Non-current assets	
	2020 £m	2019 £m	2020 £m	2019 £m
Australia	1,161	1,177	558	521
Spain	1,097	1,430	849	417
United States	1,055	1,051	727	560

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

2. Exceptional items

2020

Exceptional items of £156m comprise impairments of £116m in property, plant and equipment and right-of-use assets at Primark, an impairment of £23m in goodwill relating to Azucarera, charges of £22m relating to inventory in Primark and a £5m gain on the closure of our Speedibake Wakefield factory.

Our half year results were announced on 21 April and included an exceptional inventory impairment charge of £248m and an onerous contract provision of £36m. At the time of the interim announcement, the dates for the reopening of Primark stores were not known and more than half of the impairment charge related to stock already on display in the closed stores. The earlier reopening of the stores and subsequent successful trading of the spring/summer inventory avoided the need for this provision. At the year end a markdown provision of £22m was created for inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic.

We have seen the benefits from the successful downsizing of three stores in the US and three stores in Germany; we have plans for several more stores in these markets and have recognised non-cash write-downs of £34m against property, plant and equipment and £82m against right-of-use assets.

In the light of the beet volumes contracted by Azucarera in the second crop year after reducing the beet price paid to farmers, we have revised our forecasts for this business. This resulted in a £23m non-cash write-down of goodwill recorded in the Sugar and Europe & Africa operating segments.

Our Speedibake Wakefield factory was destroyed by fire in February and an exceptional charge of £25m was recognised in the half year results. This comprised an £18m non-cash write-down of property, plant and equipment, a £1m provision against inventory and £6m of closure costs. Net insurance proceeds of £30m were received in the second half, more than offsetting the exceptional charge recorded in the first half. The full year position is an exceptional gain of £5m recorded in the Grocery and United Kingdom operating segments.

2019

The prior year included £79m of exceptional items. Following the termination of our largest private-label bread contract in December 2018, the carrying value of the assets of the Allied Bakeries business was no longer supported by our forecasts of its discounted future cash flows and a non-cash impairment charge of £65m was recognised. As a result of a High Court ruling regarding the equalisation of Guaranteed Minimum Pensions in October 2018, a pension service cost of £14m was taken for members of the Company's UK defined benefit pension scheme for service between 1990 and 1997.

3. Finance expense

	52 weeks ended 12 September 2020 £m	52 weeks ended 14 September 2019 £m
Bank loans and overdrafts	**(29)**	(24)
All other borrowings	**(10)**	(16)
Lease liabilities	**(84)**	–
Finance leases	**–**	(1)
Other payables	**(1)**	(1)
	(124)	(42)

4. Income tax expense

	52 weeks ended 12 September 2020 £m	52 weeks ended 14 September 2019 £m
Current tax expense		
UK – corporation tax at 19% (2019 – 19%)	**57**	80
Overseas – corporation tax	**203**	229
UK – under/(over) provided in prior periods	**3**	(5)
Overseas – over provided in prior periods	**(4)**	(1)
	259	303
Deferred tax expense		
UK deferred tax	**5**	(7)
Overseas deferred tax	**(53)**	(11)
UK – under/(over) provided in prior periods	**3**	(5)
Overseas – under/(over) provided in prior periods	**7**	(3)
	(38)	(26)
Total income tax expense in income statement	**221**	277
Reconciliation of effective tax rate		
Profit before taxation	**686**	1,173
Less share of profit after tax from joint ventures and associates	**(57)**	(57)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**629**	1,116
Nominal tax charge at UK corporation tax rate of 19% (2019 – 19%)	**120**	212
Effect of higher and lower tax rates on overseas earnings	**18**	14
Effect of changes in tax rates on income statement	**13**	(1)
Expenses not deductible for tax purposes	**54**	37
Disposal of assets covered by tax exemptions or unrecognised capital losses	**1**	17
Deferred tax not recognised	**6**	12
Adjustments in respect of prior periods	**9**	(14)
	221	277
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**(15)**	(68)
Current tax associated with defined benefit schemes	**–**	(2)
Deferred tax associated with share-based payments	**(1)**	–
Deferred tax associated with movement in cash flow hedging position	**–**	(7)
Deferred tax associated with movements in foreign exchange	**(1)**	–
Deferred tax associated with hyperinflationary economies	**–**	2
	(17)	(75)

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has accordingly been calculated at 19%. The effect of this change was a £6m tax charge in the income statement principally on the amortisation of non-operating intangibles and exceptional items and £3m tax charge recorded in other comprehensive income.

In April 2019 the European Commission published its decision on the Group Financing Exemption in the UK's controlled foreign company legislation. The Commission found that the UK law did not comply with EU State Aid rules in certain circumstances. The group has arrangements that may be impacted by this decision as might other UK-based multinational groups that had financing arrangements in line with the UK's legislation in force at the time. The group has appealed against the European Commission's decision, as have the UK Government and a number of other UK companies. We have calculated our maximum potential liability to be £27m, however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

5. Earnings per share

The calculation of basic earnings per share at 12 September 2020 was based on the net profit attributable to equity shareholders of £455m (2019 – £878m), and a weighted average number of shares outstanding during the year of 790 million (2019 – 790 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Ownership Plan Trust on which the dividends are being waived.

Adjusted earnings per ordinary share, which exclude the impact of profits less losses on disposal of non-current assets and the sale and closure of businesses, amortisation of acquired inventory fair value adjustments, transaction costs, amortisation of non-operating intangibles, exceptional items and any associated tax credits, is shown to provide clarity on the underlying performance of the group.

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 790 million (2019 – 790 million). There is no difference between basic and diluted earnings.

	52 weeks ended 12 September 2020 pence	52 weeks ended 14 September 2019 pence
Adjusted earnings per share	**81.1**	137.5
Disposal of non-current assets	**2.3**	0.5
Sale and closure of businesses	**(1.8)**	(11.9)
Acquired inventory fair value adjustments	**(1.9)**	(1.9)
Transaction costs	**(0.3)**	(0.3)
Exceptional items	**(19.7)**	(10.0)
Tax effect on above adjustments	**4.6**	1.9
Amortisation of non-operating intangibles	**(7.5)**	(6.0)
Tax credit on non-operating intangibles amortisation and goodwill	**0.8**	1.3
Earnings per ordinary share	**57.6**	111.1

6. Dividends

	2020 pence per share	2019 pence per share	**2020 £m**	2019 £m
2018 final	–	33.30	**–**	263
2019 interim	–	12.05	**–**	95
2019 final	**34.30**	–	**271**	–
	34.30	45.35	**271**	358

No 2020 interim dividend was paid this year and no final dividend is proposed.

There is no dividend relating to the period (2019 – 46.35p per share totalling £366m).

7. Acquisitions and disposals

Acquisitions

2020

In December 2019, the group's Grocery business in the UK acquired Al'Fez, a Middle Eastern food brand with customers in the UK and Europe. In the second half of the year the group acquired two small Agriculture businesses in Europe and the group's Ingredients business acquired Larodan, a Swedish manufacturer and international marketer of state-of-the-art, high-purity research-grade lipids that will expand our research and product development capabilities to better serve the pharmaceutical, nutritional and industrial market sectors.

Total consideration for these acquisitions was £19m, comprising £16m cash consideration and £3m deferred consideration. Net assets acquired comprised non-operating intangible assets of £15m, which were recognised with their related deferred tax of £3m, and £1m of other operating assets. Goodwill of £6m resulted from these acquisitions.

7. Acquisitions and disposals (continued)

2019

The group's Grocery business completed the acquisitions of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia and Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients, to further develop our presence in the faster growing segments of the grocery market. The group also acquired a small manufacturer of piglet starter feed in Poland as part of the Agriculture business and Italmill, an Italian bakery ingredients producer as part of the Ingredients business.

The acquisitions had the following effect on the group's assets and liabilities in the year ended 14 September 2019:

	Pre-acquisition carrying values £m	Recognised values on acquisition £m
Net assets		
Intangible assets	–	56
Property, plant and equipment	20	20
Other receivables (non-current)	2	2
Inventories	7	7
Trade and other receivables	14	14
Cash and cash equivalents	2	2
Trade and other payables	(11)	(11)
Loans	(15)	(15)
Taxation	(1)	(8)
Employee benefit liabilities	(1)	(1)
Net identifiable assets and liabilities	17	66
Goodwill		30
Total consideration		96

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	85
Deferred consideration	11
	96
Net cash	
Cash consideration	85
Cash and cash equivalents acquired	(2)
Deferred consideration paid in respect of previous acquisition	1
	84

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £56m of non-operating intangible assets in respect of brands and customer relationships, which were recognised together with related deferred tax of £7m. The cash outflow of £84m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £85m for these acquisitions less cash acquired with the businesses of £2m and £1m payment of deferred consideration in respect of prior year acquisitions.

The acquisitions have contributed aggregate revenues of £42m and operating profit of £4m to the group's result for the period from the date of acquisition to 14 September 2019.

7. Acquisitions and disposals (continued)

Disposals

2020

In 2020 the group announced the closure of the Cake business in the Grocery segment in Australia and the Jasol New Zealand business in the Ingredients segment, with £10m included in loss on closure of business, comprising £2m non-cash impairment of property, plant and equipment, £2m non-cash impairment of right-of-use assets and £6m of restructuring provisions.

The group also sold a small business in China, reported within the Asia Pacific and Grocery segments. Cash proceeds amounted to £2m on £1m of net assets disposed, resulting in a pre-tax profit on disposal of £1m.

Warranty provisions of £1m relating to disposals made in previous years were no longer required and were released to sale and closure of business in the Americas and Ingredients segments. The group also charged a £6m onerous lease provision to sale and closure of business (in the Central and UK segments) in respect of guarantees given on property leases assigned to third parties that the group expects to be required to honour.

2019

The group disposed of its torula facility and associated torula whole cell business in Hutchinson, Minnesota, reported within the US and Ingredients segments. Cash proceeds amounted to £5m, net assets disposed were £5m and the associated goodwill was £8m. Provisions for transaction and associated restructuring costs were £2m, with a gain of £3m on recycling foreign exchange differences. The pre-tax loss on disposal was £7m.

We signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, a non-cash impairment charge of £88m was included in loss on closure of businesses, comprising £56m of goodwill and £32m of property, plant and equipment.

In addition £4m of warranty and restructuring provisions relating to disposals made in previous years were no longer required and were released to sale and closure of businesses during the year in Grocery (The Americas). In the Agriculture segment, goodwill with a carrying value of £3m was written off on sale and closure of a small business in the UK.

8. Analysis of net cash/(debt)

	At 14 September 2019 £m	IFRS 16 transition £m	Cash flow £m	Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	**At 12 September 2020 £m**
Cash at bank and in hand, cash equivalents and overdrafts	1,358	–	557	–	–	(6)	**1,909**
Current asset investments	29	–	2	–	–	1	**32**
Short-term loans	(90)	1	43	–	(23)	4	**(65)**
Long-term loans	(361)	13	2	–	23	5	**(318)**
Lease liabilities	–	(3,678)	247	1	(143)	(66)	**(3,639)**
	936	(3,664)	851	1	(143)	(62)	**(2,081)**

9. Related party transactions

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.

9. Related party transactions (continued)

Material transactions and year end balances with related parties were as follows:

	Sub note	2020 £000	2019 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**1,095**	1,143
Dividends paid by Associated British Foods and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	**9,151**	12,083
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**3,632**	5,941
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited		**73**	82
Sales to fellow subsidiary undertakings on normal trading terms	2	**96**	75
Sales to companies with common key management personnel on normal trading terms	3	**18,404**	16,014
Commissions paid to companies with common key management personnel on normal trading terms	3	**557**	1,103
Amounts due from companies with common key management personnel	3	**2,237**	1,880
Sales to joint ventures on normal trading terms		**14,154**	12,744
Sales to associates on normal trading terms		**28,249**	31,174
Purchases from joint ventures on normal trading terms		**323,860**	380,176
Purchases from associates on normal trading terms		**12,863**	15,739
Amounts due from joint ventures		**41,722**	46,102
Amounts due from associates		**3,497**	2,620
Amounts due to joint ventures		**26,745**	27,962
Amounts due to associates		**1,272**	1,282

1. The Garfield Weston Foundation ('the Foundation') is an English charitable trust, established in 1958 by the late W. Garfield Weston. The Foundation has no direct interest in the Company, but as at 12 September 2020 was the beneficial owner of 683,073 shares (2019 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2019 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 12 September 2020 trustees of the Foundation comprised four grandchildren of the late W. Garfield Weston and five children of the late Garry H. Weston.
2. 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 £40m (2019 – £44m) of finance lease receivables. The remainder of the balance is trading balances. All but £5m (2019 – £5m) 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 12 September 2020, or the 52 weeks ended 14 September 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 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

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 12 September 2020 (2019 – 52 weeks ended 14 September 2019) comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in joint ventures and associates.

The consolidated financial statements were authorised for issue by the directors on 3 November 2020.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'). Under Adopted IFRS, management is required to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expense 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 on a regular basis. Revisions to accounting estimates are recognised from the period in which the estimates are revised.

The consolidated financial statements are presented in sterling, rounded to the nearest million. They are prepared on the historical cost basis except that current biological assets and certain financial instruments are stated at fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The consolidated financial statements of the group are prepared to the Saturday nearest to 15 September. Accordingly, these financial statements have been prepared for the 52 weeks ended 12 September 2020. To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint ventures and associates are included up to 31 August 2020. Adjustments are made as appropriate for significant transactions or events occurring between 12 September and these other balance sheet dates.

12. New accounting policies

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

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

IFRS 16 *Leases*

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 Leases and other related requirements. The group adopted IFRS 16 on 15 September 2019 and applies it for the first time in the 2020 financial year.

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

The group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit Committee. The group completed its implementation project during the 2019 financial year.

IFRS 16 permits a choice of transition approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach with the cumulative effect of initial application recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio meant that it would have been either impossible or extremely costly and difficult to collate sufficient information to apply the fully retrospective approach. The group has therefore determined to adopt the modified retrospective approach.

Lease liabilities are measured initially at the present value of lease payments yet to be paid, subsequently adjusted for interest and lease payments as well as a number of other changes to lease provisions. Lease liabilities are included in net debt. Right-of-use assets are reported as non-current assets and are initially measured at either:

- carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 15 September 2019 (applied to a majority of the group's leases where sufficient historical information was available); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (applied to a small number of leases where sufficient historical information was not available).

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

There is no change to overall cash flows. Operating lease payments were previously presented as operating cash flows and finance lease payments were allocated between payments of principal and interest within financing cash flows. Under IFRS 16, lease payments are split between payments of principal and interest, presented as financing cash flows.

Operating lease expenses previously charged to operating profit have been replaced by depreciation of right-of-use assets (within operating profit) and interest cost (within finance expense). Although the aggregate income statement impact of each lease over its life does not change, the generally straight-line profile of operating lease expense is now more front-loaded under IFRS 16 because of the interest charge on the lease liability.

In applying IFRS 16, the group has applied the following practical expedients as of the transition date:

- reliance on the previous identification of a lease (as defined by IAS 17) for all contracts that existed at the date of initial application;
- reliance on previous assessment of whether leases are onerous instead of performing an impairment review (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease);
- accounting for operating leases with a remaining lease term of less than 12 months as at the transition date as short-term leases excluded from the scope of IFRS 16 (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease); and
- accounting for operating leases for low-value items as excluded from the scope of IFRS 16;

12. New accounting policies (continued)

No adjustment has been made to the recognition and measurement of assets previously recognised as finance leases under IAS 17 which were transferred to right-of-use assets on adoption of IFRS 16, with the related borrowings transferred to lease liabilities.

Impact on the group's results and financial position
The first results published under IFRS 16 were the 2020 interim results. The impact of IFRS 16 on the group's results and financial position is significant. IFRS 16 affects a number of financial statement captions and ratios, including the following:

Item	Comment
Earnings	There is a marginal impact on earnings and therefore marginal impact on dividend cover.
Operating profit/ operating margin	Operating profit and operating margin have increased as operating lease expenses are replaced by the depreciation of right-of-use assets.
Finance expense	Finance expense has increased significantly as a result of the interest cost on lease liabilities. Interest cover has therefore reduced.
Taxation	Taxation has changed in line with the changes in profit before tax.
Net debt	Net debt has increased very significantly as lease liabilities are recorded within current and non-current liabilities. Gearing ratios have therefore increased. The reconciliation of net debt includes more non-cash items as new leases are entered into.
Return on capital employed	The return on capital employed has reduced as a result of the changes to operating profit and non-current assets.
Cash flow statement	There is no overall impact on cash flow, but classifications of cash flows have changed, as set out above.

The changes set out below to the group's assets and liabilities were recorded at the transition date of 15 September 2019 in the 2020 financial year and were charged against opening equity in this 2020 annual report.

	As reported 14 September 2019 £m	IFRS 16 adjustments £m	15 September 2019 £m
Non-current assets			
Property, plant and equipment	5,769	(20)	5,749
Right-of-use assets	-	3,204	3,204
Deferred tax assets	160	41	201
Other non-current assets	2,235	-	2,235
Total non-current assets	8,164	3,225	11,389
Current assets			
Other current assets	5,596	3	5,599
Total current assets	5,596	3	5,599
Total assets	13,760	3,228	16,988
Liabilities			
Lease liabilities	-	(3,678)	(3,678)
Loans and overdrafts	(588)	14	(574)
Provisions	(118)	10	(108)
Deferred tax liabilities	(261)	-	(261)
Other liabilities	(3,243)	276	(2,967)
Total liabilities	(4,210)	(3,378)	(7,588)
Net assets	9,550	(150)	9,400
Equity			
Total equity attributable to equity shareholders	9,452	(149)	9,303
Non-controlling interests	98	(1)	97
Total equity	9,550	(150)	9,400

12. New accounting policies (continued)

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

Continuing operations	52 weeks ended 14 September 2019 (IAS 17) £m	IFRS 16 adjustments £m	52 weeks ended 14 September 2019 (IFRS 16 pro forma basis) £m
Operating profit	1,282	61	1,343
Adjusted operating profit	1,421	61	1,482
Profits less losses on disposal of non-current assets	4	-	4
Amortisation of non-operating intangibles	(47)	-	(47)
Acquired inventory fair value adjustments	(15)	-	(15)
Transaction costs	(2)	-	(2)
Exceptional items	(79)	-	(79)
Profits less losses on sale and closure of businesses	(94)	-	(94)
Profit before interest	1,188	61	1,249
Finance income	15	-	15
Finance expense	(42)	(82)	(124)
Other financial income	12	-	12
Profit before taxation	1,173	(21)	1,152
Adjusted profit before taxation	1,406	(21)	1,385
Profits less losses on disposal of non-current assets	4	-	4
Amortisation of non-operating intangibles	(47)	-	(47)
Acquired inventory fair value adjustments	(15)	-	(15)
Transaction costs	(2)	-	(2)
Exceptional items	(79)	-	(79)
Profits less losses on sale and closure of businesses	(94)	-	(94)
Taxation	(277)	4	(273)
Profit for the period	896	(17)	879
Attributable to			
Equity shareholders	878	(17)	861
Non-controlling interests	18	-	18
Profit for the period	896	(17)	879
Basic and diluted earnings per ordinary share (pence)	111.1	(2.1)	109.0
Adjusted earnings per ordinary share (pence)	137.5	(2.1)	135.4

IFRS 16 has the most significant impact on the Retail segment given the significant number of store leases to which Primark is a party. The changes in other liabilities mainly relate to the elimination of lease incentives received from the landlords of stores in the Retail segment.

12. New accounting policies (continued)

Disclosures on transition

The following table reconciles the operating lease commitments as at 14 September 2019 disclosed in the group's 2019 Annual Report to the amount recognised on the consolidated balance sheet in respect of lease liabilities on adoption of IFRS 16.

	£m
Undiscounted future operating lease commitments disclosed as at 14 September 2019	**5,213**
Effect of assumptions on renewal options and break clauses	(490)
Effect of discounting	(1,028)
Accruals and prepayments	(32)
Other reconciling items (net)	1
IFRS 16 lease liabilities recognised as at 15 September 2019	**3,664**
Existing finance lease liabilities as at 14 September 2019	14
Total lease liabilities recognised as at 15 September 2019	**3,678**

Under the modified retrospective transition method, lease payments were discounted to present value at 15 September 2019 using incremental borrowing rates derived as at that date representing the rate of interest that the group entity that entered into the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Given the disproportionate value and profile of property leases in the Retail segment (£3,495m, 95% of the group total at transition), it is not appropriate to provide a single weighted average discount rate applied for the group at transition.

The weighted average incremental borrowing rate applied on transition for the Retail segment was 2.28%. For the food businesses, the incremental borrowing rates applied to individual leases range between 0.00% and 14.56%.

Accounting standards not yet applicable

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

- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year
- Amendments to IAS 1 and IAS 8 *Definition of Material* effective 2021 financial year
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* effective 2023 financial year (not yet endorsed by the EU)
- Amendments to *References to the Conceptual Framework in IFRS Standards* effective 2021 financial year

13. Alternative performance measures

In the reporting of financial information, the Board uses various Alternative Performance Measures (APMs) which they believe provide useful additional information for understanding the financial performance and financial health of the group. These APMs should be considered in addition to IFRS measures and are not intended to be a substitute for them. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

APMs are also used to improve the comparability of information between reporting periods and geographical units (such as like-for-like sales) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the group's performance.

Consequently, APMs are used by the Board and management for performance analysis, planning, reporting and incentive-setting purposes.

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Like-for-like sales	No direct equivalent	The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency in our retail stores adjusted for new stores, closures and relocations. Refits, extensions and downsizes are also adjusted for if a store's retail square footage changes by 10% or more. For each change described above, a store's sales are excluded from like-for-like sales for one year. No adjustments are made for disruption during refits, extension or downsizes, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each year subsequent to reopening after lockdown.	Consistent with the definition given.
Operating (profit) margin	No direct equivalent	Operating (profit) margin is adjusted operating profit as a percentage of revenue. This year, the comparative operating (profit) margin is calculated using 2019 IFRS 16 pro forma data.	*Reconciliation/calculation see Note A below.*
Adjusted operating profit	Operating profit	Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets and exceptional items. Items defined above which arise in the group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted operating profit.	A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1.
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.
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.	A reconciliation of adjusted earnings per share is provided in note 5.
Exceptional items	No direct equivalent	Exceptional items are items of income and expenditure which are material and unusual in nature and are considered of such significance that they require separate disclosure on the face of the income statement.	Exceptional items are included on the face of the consolidated income statement with further detail provided in note 2.
Constant currency	Revenue and adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year figure at current year average exchange rates, except for countries where CPI has escalated to extreme levels, in which case actual exchange rates are used. There are currently two countries where the group has operations in this position – Argentina and Venezuela. This year, adjusted operating profit at constant currency is calculated against the 2019 IFRS 16 pro forma adjusted operating profit measure.	*Reconciliation/calculation see Note B below.*

13. Alternative performance measures (continued)

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Effective tax rate	Income tax expense	The effective tax rate is the tax charge for the year expressed as a percentage of profit before tax.	Whilst the effective tax rate is not disclosed, a reconciliation of the tax charge on profit before tax at the UK corporation tax rate to the actual tax charge is provided in note 4.
Adjusted effective tax rate	No direct equivalent	The adjusted effective tax rate is the tax charge for the year on the adjusted profit before tax expressed as a percentage of adjusted profit before tax.	The tax impact of reconciling items between profit before tax and adjusted profit before tax is shown in note 5.
Dividend cover	No direct equivalent	Dividend cover is the ratio of adjusted earnings per share to dividends per share relating to the year.	*Reconciliation/calculation see Note C below.*
Capital expenditure	No direct equivalent	Capital expenditure is a measure of investment each year in non-current assets in existing businesses. It comprises cash outflows from the purchase of property, plant and equipment and intangibles.	*Reconciliation/calculation see Note D below.*
Gross investment	No direct equivalent	Gross investment is a measure of investment each year in non-current assets of existing businesses and acquisitions of new businesses. It includes capital expenditure (see above) as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	*Reconciliation/calculation see Note E below.*
Net cash/debt excluding lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is in note 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 in note 8.
(Average) capital employed	No direct equivalent	Capital employed is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of capital employed are calculated in accordance with Adopted IFRS. Average capital employed for each segment and the group is calculated by averaging the capital employed for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given.
Return on (average) capital employed	No direct equivalent	The return on (average) capital employed measure divides adjusted operating profit by average capital employed. Also referred to as ROCE and ROACE.	Consistent with the definition given.
(Average) working capital	No direct equivalent	Working capital is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of working capital are calculated in accordance with Adopted IFRS. Average working capital for each segment and the group is calculated by averaging the working capital for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given.
(Average) working capital as a percentage of revenue	No direct equivalent	This measure expresses average working capital as a percentage of revenue.	Consistent with the definition given.

Note A

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2020							
External revenue from continuing businesses	3,528	1,594	1,395	1,503	5,895	22	13,937
Adjusted operating profit	437	100	43	147	362	(65)	1,024
Operating margin %	12.4%	6.3%	3.1%	9.8%	6.1%		7.3%
2019							
External revenue from continuing businesses	3,498	1,608	1,385	1,505	7,792	36	15,824
Adjusted operating profit (IFRS 16 pro forma comparatives)	381	30	42	137	969	(77)	1,482
Operating margin %	10.9%	1.9%	3.0%	9.1%	12.4%		9.4%

13. Alternative performance measures (continued)

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Disposed businesses £m	Total £m
2020							
External revenue from continuing businesses at actual rates	3,528	1,594	1,395	1,503	5,895	22	13,937
2019							
External revenue from continuing businesses at actual rates	3,498	1,608	1,385	1,505	7,792	36	15,824
Impact of foreign exchange	(38)	(91)	(7)	(44)	(33)	(1)	(214)
External revenue from continuing businesses at constant currency	3,460	1,517	1,378	1,461	7,759	35	15,610
% change at constant currency	+2%	+5%	+1%	+3%	-24%		-11%

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2020							
Adjusted operating profit at actual rates	437	100	43	147	362	(65)	1,024
2019							
Adjusted operating profit at actual rates	381	30	42	137	969	(77)	1,482
Impact of foreign exchange	–	(9)	–	(3)	(4)	–	(16)
Adjusted operating profit at constant currency	381	21	42	134	965	(77)	1,466
% change at constant currency	+15%	+376%	+2%	+10%	-62%		-30%

Note C

	2020	2019
Adjusted earnings per share (pence)	**81.10**	137.50
Dividends relating to the year (pence)	**–**	46.35
Dividend cover	**n/a**	2.97

Note D

From the cash flow statement	**2020 £m**	2019 £m
Purchase of property, plant and equipment	**561**	680
Purchase of intangibles	**61**	57
	622	737

Note E

From the cash flow statement	**2020 £m**	2019 £m
Purchase of property, plant and equipment	**561**	680
Purchase of intangibles	**61**	57
Purchase of subsidiaries, joint ventures and associates	**16**	84
Purchase of shares in subsidiary undertaking from non-controlling interests	**2**	1
Purchase of other investments	**1**	–
Net debt assumed in acquisitions (from the reconciliation of net debt)	**–**	15
	641	837

14. Subsequent events

We consider the government decisions to close temporarily certain Primark stores to be a non-adjusting post balance sheet event given the timing of the announcements after the year end. Any financial implications arising from these closures will be reflected in the financial results for the year ended September 2021.

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