Associated British Foods plc

FOR RELEASE 9 NOVEMBER 2021

Annual Results Announcement

Year ended 18 September 2021

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Associated British Foods plc results for 53 weeks ended 18 September 2021

Strong delivery in food; retail trading and margin recovering

Financial Headlines

		Actual currency change	Constant currency change
Group revenue	£13,884m	In line	+1%
Adjusted operating profit	£1,011m	-1%	+2%
Adjusted profit before tax	£908m	-1%	
Adjusted earnings per share	80.1p	-1%	
Dividends per share			
– Interim	6.2p		
– Final	20.5p		
– Special	13.8p		
Gross investment	£721m		
Net cash before lease liabilities	£1,901m		
Net debt including lease liabilities	£1,380m		
Statutory operating profit	£808m	In line	
Statutory profit before tax	£725m	+6%	
Basic earnings per share	60.5p	+5%	

Statutory operating profit of £808m for the year was broadly in line with the statutory operating profit of £810m last year and is stated after charging net exceptional items of £151m this year compared to £156m in the last financial year.

Strong delivery in food

- Combined revenue up 5%[1] and adjusted operating profit up 10% to £760m[1]
- Sugar: very strong performance, adjusted operating profit up 75%[1]
- Grocery: brand investment and strong international growth
- Progress in Agriculture and Ingredients

Retail trading and margin recovering

- Primark adjusted operating profit up 15% to £415m[2]
- Like-for-like[3] sales down 12% on pre-pandemic levels
- Strong profit margin recovery, with second half margin of 10.6%[4]
- Wide-reaching new sustainability strategy launched
- Plans to accelerate selling space expansion in major growth markets

Dividend

- Total dividend of 34.3p per share declared and proposed: special dividend 13.8p and final dividend 20.5p
- Total dividends for the year 40.5p per share

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

"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.

We provided safe, nutritious food under the most extraordinary conditions again this year, proving the value and resilience of our supply chains. Our food businesses delivered an adjusted operating profit increase of 10%, driven by high demand and improved productivity.

Primark delivered a good performance in the face of continued disruption to trading caused by the pandemic. It also unveiled its wide-reaching sustainability strategy with the aim of making more sustainable fashion affordable for all. Although the possibility of further trading restrictions cannot be ruled out, we expect Primark to deliver a much improved margin and profit next year. We are now intent on expanding our new store pipeline and investing in technology and digital capabilities to continue improving the performance of the business.

Given the strength of our balance sheet and our confidence in the future we are setting out today a new capital cash allocation policy that provides the Group with the capital it needs both for investment and financial stability while allowing for enhanced returns to shareholders when appropriate. We are announcing a special dividend for shareholders today as a result.

We have the people and the cash resources to seize the opportunities ahead and we look to the future with confidence."

[1]At constant currency
[2]Excluding the repayment of job retention scheme monies
[3]Like-for-like sales metric expressed over two years enables measurement of the performance of our retail stores compared to our experience in 2019, which was before any of the economic effects of COVID-19
[4]Excluding 53rd week and the repayment of job retention scheme monies

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 53rd week applies to Primark and George Weston Foods.

For further information please contact:

Associated British Foods:
John Bason, Finance Director
Tel: 020 7399 6545

Citigate Dewe Rogerson:
Tel: 020 7638 9571

Chris Barrie
Tel: 07968 727289

Jos Bieneman
Tel: 07834 336650

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 128,000 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 53 weeks ended 18 September 2021

Chairman's statement

The economic effects of the measures taken by governments to restrict the COVID-19 pandemic were evident in the financial results for our last financial year and in the results for this financial year. The Board recognises that a Group of our scale and significance has responsibilities to many stakeholders. I want to say thank you once again to every employee for their hard work and determination in these difficult times.

Sales and profit for the Group this financial year were again below pre-COVID levels and this was driven by the results for Primark, where a third of its available trading days were lost as a result of store closures due to the public health measures taken in our major markets. The Primark management and operational teams demonstrated agility in responding to both the fast changing and wide range of trading restrictions applied to our stores over the year. The strength of Primark's sales after the reopening of all our stores in the spring demonstrated the relevance and appeal of our value-for-money offering. Growth in our food businesses continued this year with a combined increase in revenue of 5% and increase in adjusted operating profit of 10% this financial year, at constant currency.

Importantly, during this difficult trading year, we maintained our focus on building for the future.

In Grocery, we continued to build our brands with a number of new product introductions and wider international distribution. We made significant progress with the expansion of Twinings in Wellness teas, Ovaltine growth in China, Brazil and Switzerland, the overseas development of Patak's and Mazzetti and the continuing development of Yumi's in Australia. In Ingredients, we made major steps to build our development capability and opened new technology development centres for our bakery ingredients and enzyme businesses. Our yeast joint venture with Wilmar International in China became operational this year, progress was made on building a major new yeast facility and we expect strong growth from this business in the future.

We invested £721m in our businesses this year. We made good progress with a number of major capital projects: work to recommission the Vivergo bioethanol plant in the UK; a major new animal feed mill in Western Australia; and a number of capacity increases including bakery production in Australia and yeast production in Brazil. In Primark, we continued to increase retail selling space with the opening of 15 new stores and developed our presence in the important US and Central European markets. We made progress in the development and implementation of new inventory management and point of sale systems across the store estate. The expansion of our state-of-the art warehouse in Roosendaal in the Netherlands was completed.

Our Responsibility and ESG

Our Company was founded with a conviction that acting responsibly and with integrity is the only way to build and manage a business over the long term. The belief that companies do well when they act well is deeply ingrained in all of us, from the Board and the leadership team, across all our businesses and at all levels of our workforce. We have a clear sense of our social purpose. We exist to provide safe, nutritious and affordable food and to provide quality, affordable clothing to hundreds of millions of customers worldwide.

We have a strong belief in our duty to respect the dignity of everyone who works for us, both within our workforce and in our supply chains. We have a firm commitment to operating under the highest standards of corporate citizenship, acting as a good and supportive neighbour to the communities around us while recognising our wider obligations to society as a whole. Our 2021 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.

This year we have extensively engaged with our investors on the key ESG factors for the Group and our strategy and governance in relation to these. We provided an in-depth review of Primark's processes to provide assurance of its supplier practices and of Primark's sustainability strategy, Primark Cares, designed to reduce its impact on the environment and to improve the lives of people in its supply chain. A new customer campaign was launched in September to highlight Primark's commitment to make more sustainable fashion affordable for all. The March and September presentations are available on our website. A further briefing is due to be held in early 2022 and will focus on the environmental factors that are most material for the Group.

Results

Revenue for the Group of £13.9bn was in line with last year at actual exchange rates and was 1% ahead at constant currency. All our food businesses delivered growth and in aggregate sales were 5% ahead of last year at constant currency. Primark sales in both years were impacted by trading restrictions and store closures as a result of government measures taken to contain the spread of COVID-19. The periods of closure were longer this year compared to the last financial year and sales declined by 5% at constant currency as a result.

Adjusted operating profit this year of £1,011m was broadly in line with last financial year. For the full year the strengthening of sterling against our major currencies has led to a translation loss of some £36m. The adjusted operating profit for Grocery, Sugar, Agriculture and Ingredients combined increased by a strong 10% at constant currency. Primark operating profit margin improved this year with an adjusted operating profit of £415m, before repayment of job retention scheme monies of £94m, which compared to £362m last financial year.

The charge for net finance expense and other financial income declined to £103m following the repayment of £25m of the private placement debt and there were no RCF interest charges since the facility was not drawn down this year. This was another year where a lower proportion of the Group's profit was generated in the UK and Ireland because of the lower Primark profitability and the Group's adjusted effective tax rate was therefore again elevated, at 28.1%, a small decrease from 28.8% last year.

The Group's net cash before lease liabilities of £1.9bn this year compared to £1.6bn at the same time last year even after another year in which the pandemic adversely impacted Primark's trading. This outturn reflects the strong cash generating capability of the Group and good working capital management.

The statutory operating profit for the year at £808m was broadly in line with last year. It is stated after a net exceptional non-cash charge of £151m this year which mainly comprises impairments of £141m in property, plant and equipment at our Spanish Sugar business, Azucarera, and other Sugar businesses, and was marginally lower than the £156m net exceptional charge last year. Basic earnings per share were 60.5p, an increase from the reported 57.6p last year.

Board

We welcomed Dame Heather Rabbatts as a non-executive director of the Company with effect from 1 March 2021. Heather brings a wealth of experience having held a number of executive and non-executive roles across local government, infrastructure, media and sports. She was the first woman to join the board of the Football Association. She continues to work in film and sports and is a non-executive director of Kier Group plc.

Dividends

The Board decided not to pay any dividends relating to the 2020 financial year. This was due to the uncertainty of cash flow for the Group as a result of the economic impact of COVID-19 on our businesses, especially driven by the unknown duration and extent of Primark store closures. The scale of this uncertainty was demonstrated by the cash outflow of some £800m experienced in the period March to May 2020. Uncertainty was particularly acute in April and November 2020 when the Board considered the payment of an interim and then a final dividend for the 2020 financial year.

Although uncertainty remained at the 2021 half year, it was substantially lower as a result of the extensive roll-out of vaccinations, and so the Board decided to declare an interim dividend. The dividend of 6.2p per share was based on the proforma adjusted earnings per share in the first half of 18.5p which was net of a £79.4m charge for the job retention scheme repayments in respect of that period.

All our stores are now open, and are mostly free of trading restrictions, and the food businesses are trading well. The uncertainty around future cash flows is considerably lower than a year ago although the possibility of further trading restrictions cannot be ruled out. Our net cash before lease liabilities was £1.9bn at the year end. The Board is proposing a final dividend of 20.5p per share which together with the interim dividend of 6.2p per share makes a total of 26.7p per share for the year, which is three times covered by the adjusted earnings per share of 80.1p for the year, in line with previous practice. The Board intends to continue to have regard to a cover of three times for regular dividends in the ordinary course.

The Board is pleased by the recovery in trading across the Group's activities and the highly effective management of cash and reduction in financial leverage. As a sign of our confidence, the Board is also declaring a special dividend of 13.8p per share, to be paid as a second interim dividend at the same time as the payment of the final dividend. We determined the amount of this special dividend such that, taken with the final dividend proposed for the 2021 financial year, the aggregate equates to the final dividend of 34.3p per share paid in respect of the 2019 financial year which was our highest ever final dividend and was based on the Group's pre-COVID profitability. Total dividends for the year are 40.5p per share.

The payment date for the 2021 final dividend and second interim dividend will be 14 January 2022 to shareholders on the register on 17 December 2021.

A strong capital base

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

The financial leverage policy is that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities:Adjusted EBITDA to be well under 1.5 times at each half year and year end reporting date. In exceptional circumstances, the Board will be prepared to see leverage above that level for a short period of time. At the end of this financial year, the financial leverage ratio was 0.7 times. The Group also holds substantial net cash balances which ensure that it has sufficient liquidity to meet unforeseen requirements and at this financial year end net cash balances, before lease liabilities, amounted to £1.9bn.

The events of the last two years have clearly demonstrated the importance of having sufficient financial resources and the credit strength to meet the operational challenges faced by our businesses, and in particular Primark. We are pleased that S&P Global announced that they had assigned to the Group an 'A' grade long-term issuer credit rating, with a stable outlook, which reflects the strength of each of the Group's businesses, their diversity and ABF's strong credit metrics underpinned by a conservative financial policy.

Capital allocation policy

Our priority is always to invest in our businesses, both organically and by acquisition, at an appropriate pace and wherever attractive returns on capital can be generated. We see considerable opportunities to do this, both over the short and the medium-term, and across all our businesses. Nevertheless, the ability to invest our capital is inevitably subject to the timing of opportunities and practical limits as to the amount that can be invested within a given timeframe. As a result, the Board may from time to time conclude that it has surplus cash and capital. In making this assessment, the Board will be mindful that financial leverage consistently below 1.0 times and substantial net cash balances at both half and full year ends may indicate such a surplus position.

Surplus capital may be returned to shareholders by special dividend or share buy-backs.

It is not possible to anticipate every possible set of circumstances and this policy must be subject to the Board's discretion. Currently, uncertainty remains over the possible reintroduction of trading restrictions related to COVID-19 and the decision to declare a special dividend at the indicated level is made with this in mind.

Thank you to our employees

At the end of another challenging year I am proud of how our people have continued to respond to the many challenges presented by COVID-19, whilst at the same time taking action and seizing opportunities for our future. The strength of our culture shone through and our operating model of devolved decision making to each business and market enabled us to respond very quickly and appropriately to local challenges. The responses this year were again a testament to the dedication, skills and ingenuity of our people. I will never be able to thank all of them enough for their extraordinary efforts during this time.

Outlook

The lower Group profit in the last two financial years compared to the 2019 financial year was driven by the extensive closure of Primark stores. All of our stores are now open and are mostly free of trading restrictions. There has been an extensive roll-out of vaccinations against COVID-19 in all of the markets where Primark operates and customers have returned to our stores in large numbers. Absent the reimposition of significant restrictions, we expect Primark trading to continue to improve and for sales to increase by at least the estimated £2bn of sales lost due to store closures last financial year. Primark will continue to expand its selling space next year, with the most stores being added in two of our key markets, Italy and Spain. The expected significant increase in sales should lead to a sharp improvement in Primark's adjusted operating margin, recovering to above 10%. Primark is not immune to the challenges of supply chain, raw material cost and labour rate inflation. However, we currently expect the impact of these to be broadly mitigated by the transaction currency gain arising from the weaker US dollar, improved store labour efficiency and lower operating costs.

We are seeing significant cost increases in energy, logistics and commodities in addition to the impact of widely reported port congestion and road freight limitations. Our businesses are working to offset the impact of these through cost savings. Where necessary, our food businesses will also implement price increases.

With the recovery in Primark's profitability, we expect the Group's effective tax rate to fall next year to a level closer to pre-COVID rates.

We will continue to invest in building the capacity and capabilities of all our businesses. We expect the improvement in Group profitability to deliver another year of strong cash generation.

Taking these factors into account, we expect significant progress, at both the half and full year, in adjusted operating profit and adjusted earnings per share for the Group.

Michael McLintock
Chairman

Chief Executive's statement

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

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 was in line with last year at £13.9bn at constant currency, with the reduction compared to pre-pandemic levels driven by the loss of sales for the periods in which Primark's stores were closed. Adjusted operating profit of £1,011m was broadly in line with last year, which was also impacted by lost sales during the closures of Primark stores.

Our food businesses delivered another strong 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 10%, building on an increase of 26% last year, at constant currency.

Sugar delivered another year of very strong improvement with profit margin reaching 9.2% and a 75% increase in adjusted operating profit at constant currency. Our focus in this business has been to deliver an acceptable shareholder return on capital over the cycle and return on average capital employed reached 10.2% this year. The profit improvement was underpinned by significant savings from our ongoing cost improvement and efficiency programmes. Notably, after a disappointing performance last year, Illovo recovered strongly, benefiting from higher sales as a consequence of our long-term drive to develop African domestic and regional volumes.

Grocery revenues were 3% ahead of last year at constant currency. This was achieved despite a small decline in some retail volumes this year compared to the elevated levels seen last year. Twinings Ovaltine delivered strong sales growth, supported by increased marketing investment and driven by Ovaltine growth in emerging markets and a programme of new product development in existing markets. The international development of a number of our brands, notably Patak's and Mazzetti, continued. The adjusted operating profit for Grocery declined marginally, mainly due to weaker corn oil margins at ACH. The development of our brands over the medium-term is demonstrated by an increase in adjusted operating profit of 12% over the pre-COVID levels of 2019, following a very strong profit increase of 15% last year, at constant currency.

AB Agri performed well with progress in both revenue and adjusted operating profit. Growth was notable in China, our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life, driven by higher volumes and commodity prices. Ingredients' sales were 4% ahead, and adjusted operating profit was 8% ahead of last year at constant currency driven by strong trading at AB Mauri.

Primark

As we look back on two years of disruption to Primark trading caused by the COVID-19 pandemic, our confidence in the Primark business model is unaltered.

There is no doubt that Primark, with its reliance on a highly efficient store retail model, has been seen to be vulnerable to the pandemic. The closure of its stores for long periods and restrictions on trading inevitably led to significant loss of sales and profit.

We believe that Primark's proposition of providing customers with a wide selection of products at great value prices is highly sustainable. The low-cost retailing model is driven by structural advantages: purchasing quantities on a large scale leads to efficient production, a broad supplier base with long-term relationships, very low distribution costs throughout the supply chain from supplier to store, and high store sales densities. These characteristics provide Primark with a differentiated business model with real competitive advantage.

Primark is a compelling brand proposition. It offers customers a wide selection of products, from everyday essentials to the latest trends, for all age groups and at prices everyone can afford, ranged across attractive up-to-date stores. There is strong supporting evidence that, for a substantial share of customers, the in-store shopping experience will have enduring appeal. Primark is uniquely placed on the High Street to take advantage of this as it continually evolves its store design and in-store services and expands into new product ranges attracting existing and new customers to the business.

At the time of writing, all our stores have reopened and are trading with only limited restrictions in some countries. There has been an extensive roll-out of vaccinations against COVID-19 in all the markets where Primark operates, and customers have returned to our stores in large numbers. A post-pandemic equilibrium has not yet been reached. However, like-for-like sales, compared to pre-COVID levels, are steadily improving as customers' appetite to return to shopping and city centres increases and, over the medium-term, as foreign and domestic tourism recovers.

Next year, we expect Primark to increase sales significantly along with a sharp improvement in adjusted operating margin, recovering to above 10%, absent the reimposition of further restrictions on store trading. We see opportunities to reduce costs further, with lower operating costs from reduced lease costs and the harnessing of technology in our warehouses and stores. Additionally, Primark is investing to upgrade its digital presence and online visibility and is on track to launch a redesigned customer facing website in the UK in the first quarter of 2022. In September, Primark launched a wide-reaching new sustainability strategy aiming to position the business as a pioneer for making more sustainable fashion affordable for all, engaging a new generation of customers. We believe this strategy can be implemented without any significant movements in the Primark profit margin over the longer term.

Primark sees further growth potential in all of its existing markets, and in some new markets besides. In particular, it will accelerate the expansion of its selling space in the major markets of the US, France, Italy and Iberia, building on its established brand recognition, proven track record of successful store openings and strengthening relationships with key landlords.

Operating review

Grocery

	2021	2020	Actual currency	Constant currency
Revenue £m	**3,593**	3,528	+2%	+3%
Adjusted operating profit £m	**413**	437	-5%	-2%
Adjusted operating profit margin	**11.5%**	12.4%		
Return on average capital employed	**31.4%**	31.3%		

Grocery revenues were 3% ahead of last year at constant currency with particularly strong growth in Twinings Ovaltine more than offsetting expected decline in sales at Allied Bakeries. Adjusted operating profit however declined, primarily driven by weaker corn oil margins at ACH, lower margins at George Weston Foods and a one-off charge of £5m for further restructuring in Allied Bakeries. The improvement in return on average capital employed was mainly driven by lower working capital in our Don meat business in Australia and lower assets employed in Allied Bakeries.

Twinings and Ovaltine continued to make strong progress. Ovaltine sales growth was primarily in Thailand, China and Switzerland, and was supported by the continuing success of new product launches in a number of countries. Twinings revenue growth was driven by strong new product launches and good performances in France and North America. Twinings has become the leading tea brand in France.

At Allied Bakeries, sales reduced following our decision to exit the supply of bread to the Co-op in April this year. We continued to drive significant cost reductions with savings from a further consolidation of our operations, the most material being delivered in the distribution network. At the end of the year we successfully commenced a partnership to supply premium bakery products to a leading UK multiple retailer.

AB World Foods delivered a record sales year and international progress continued to be particularly strong supported by new distribution gains this year in North America. We increased marketing investment in Patak's and Blue Dragon to levels significantly ahead of pre-COVID. Al'Fez continued to perform strongly with further distribution gains in both UK and international markets. Silver Spoon and Westmill sales were also significantly ahead and maintained the sales uplifts achieved last year.

At Acetum, our leading Balsamic Vinegar producer, revenues continued to increase with the Mazzetti brand performing very strongly. We increased the marketing support for this brand, and good commercial performance, with new listings, delivered international growth in the US, the UK, the Netherlands and Germany.

As expected adjusted operating profit for ACH declined this year, with margins impacted by the later phasing of price increases following a sharp increase in the cost of corn oil. Substantial price increases were implemented over the year to offset cost pressures while keeping our brand equity relevant for consumers. A further price increase has been announced.

Revenue at George Weston Foods in Australia, excluding the benefit of the 53rd week this year, was ahead of last year. Adjusted operating profit was lower, mainly driven by a margin decline in the Don meat business. Despite operating restrictions imposed by regional government arising from COVID-19, the Don factory performed well delivering excellent labour utilisation and meat yields, as well as controlling fixed overhead costs. Although we have seen some recovery in foodservice, we are still experiencing volumes lower than last year. In Tip Top Australia, The One and Abbotts bread brands continued to perform strongly and benefited from a consumer trend to buy trusted brands. Yumi's delivered strong growth with share gains in its existing products and successful new product launches.

Sugar

	2021	2020	Actual currency	Constant currency
Revenue £m	**1,650**	1,594	+4%	+8%
Adjusted operating profit £m	**152**	100	+52%	+75%
Adjusted operating profit margin	**9.2%**	6.3%		
Return on average capital employed	**10.2%**	6.3%		

AB Sugar delivered another year of strong trading performance with big improvements in adjusted operating profit, profit margin and return on average capital employed. Revenue was 8% ahead of last year at constant currency with higher domestic and regional volumes for Illovo as well as higher prices in Europe and Africa. The commercial performance in Illovo, together with continued savings from our cost improvement and efficiency programmes, resulted in a 75% increase in adjusted operating profit to £152m.

The world sugar price continued to rise through the year. European sugar prices also increased with a reduction in stocks following lower EU sugar production in the last two campaigns. Looking ahead, estimates for EU sugar production in next year's campaign are marginally higher, with a recovery in yields combined with a slight reduction in the planted area, but are still estimated to be broadly in line with EU consumption in the next marketing year.

UK sugar production of 0.9 million tonnes this year was well down on the 1.19 million tonnes produced last year, due to adverse weather conditions at the time of planting and the severe impact of virus yellows, a disease transmitted by aphids on sugar beet. Difficult processing conditions and limited beet availability increased costs further during the campaign and were an offset to the higher sales prices achieved. Looking ahead, our production forecast for next year is marginally over 1.0 million tonnes with a reversion to normal yields more than offsetting a reduced planting area. We expect our UK sales to continue to be strong next year although significant cost increases in gas, carbon and logistics are likely to limit an improvement in year-on-year profitability. Work to restart the Vivergo bioethanol plant next calendar year is on track and the recent transition to E10 in blended petrol underpins the strong demand for bioethanol from fuel blenders.

In Spain, strong demand and higher prices resulted in a significant increase in revenues. The operating profit margin, however, was impacted by lower volumes from the northern beet crop. Our current view for yield and sugar content from beet sugar and lower margins due to the expected increase in future raw refining volumes, has resulted in a non-cash exceptional charge of €136m in these accounts to write-down the net asset value of this business.

Illovo revenues were ahead of last year driven by both strong domestic sales, particularly in Zambia and Malawi, and regional sales. Sugar production was ahead of last year with better production in Tanzania and Mozambique compared to last year but was held back by disruption to the operations in South Africa and Eswatini as a result of civil unrest. The recovery in profit this year is very strong, with adjusted operating profit exceeding that delivered in recent years. This was driven by improved sales, the benefits from restructuring activities last year and further efficiency activities this year.

The campaign in China completed with sugar production ahead of last year although poor agronomic conditions held back the yield from a larger planted area.

Given the on-going trading challenges in some of our smaller sugar businesses we have reviewed our outlook for these cash-generating units, including the forecast evolution of beet area and yields. As a result, we have made a one-time non-cash adjustment of £21m to the relevant net asset values as an exceptional charge this year.

Agriculture

	2021	2020	Actual currency	Constant currency
Revenue £m	**1,537**	1,395	+10%	+11%
Adjusted operating profit £m	**44**	43	+2%	+7%
Adjusted operating profit margin	**2.9%**	3.1%		
Return on average capital employed	**10.6%**	10.5%		

Trading at AB Agri was strongly ahead of last year with revenue and adjusted operating profit increases of 11% and 7% respectively at constant currency.

The revenue growth was delivered by higher commodity prices and an increase in feed volumes. Growth was notable in China, our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life.

China delivered a much-improved trading performance and benefited from a recovery from the effects of African Swine Fever. We developed feed sales for other species and supported our margins with good procurement. The regionalisation of the nutrition technical team and increased technical talent has supported the launch of new products. Adjusted operating profit at Frontier was ahead with a much-improved result from grain trading as a result of increased commodity price volatility driven by reduced UK wheat availability, Brexit uncertainty and tightening global supply and demand. AB Neo was also ahead driven by the performance in Spain due to increased demand for starter feed and additives, as well as favourable buying gains.

Sales and adjusted operating profit at AB Vista, our international feed enzymes business, were broadly in line with last year. Sales in Asia Pacific and the Americas were ahead and offset a decline in EMEA as lockdowns affected meat consumption and consequently feed production.

Our UK pig and poultry animal feed business has announced its intention to build a state-of-the-art animal feed mill in the east of England. This substantial investment will provide much needed capacity and will also ensure consistent quality.

Ingredients

	2021	2020	Actual currency	Constant currency
Revenue £m	**1,508**	1,503	In line	+4%
Adjusted operating profit £m	**151**	147	+3%	+8%
Adjusted operating profit margin	**10.0%**	9.8%		
Return on average capital employed	**16.9%**	16.7%		

Ingredients sales were 4% ahead of last year and strong trading by AB Mauri delivered an increase in adjusted operating profit of 8%, all at constant currency. The results of AB Mauri in Argentina continue to be reported under IAS 29 Financial Reporting in Hyperinflationary Economies, which reduced operating profit by £7m (2020 - £5m).

The sales growth in AB Mauri was led by our operations in Latin America, with Brazil benefiting from a recovery in the craft channel and new non-dairy creamer product launches. Argentina delivered good growth despite difficult ongoing economic conditions. Strong growth was also achieved in the South and South East Asia region, supported by the implementation of a strong technical service and route-to-market model. The easing of COVID-19 restrictions in the EMEA region allowed product development activities to resume and sales increased as a result. The Italian business has now completed a new, centralised bakery ingredients centre that will consolidate and enhance our competitiveness and innovation in production and product development. Last year, the demand for retail yeast and bakery ingredients generally remained elevated compared to pre-COVID levels. However, some declines to pre-COVID volumes were noted in countries as pandemic restrictions have been lifted.

During the year, we opened our new Global Technology Centre in the Netherlands. This provides an upgraded international hub for the research and development of bakery solutions, as well as accommodating a pilot plant, laboratories and training facilities.

Significant inflationary pressures emerged across many areas of our cost base during the final months of the year, and these are anticipated to continue in the new financial year. Price increases will be implemented to preserve margins.

ABF Ingredients businesses delivered revenue and profit growth despite the challenges of COVID-19 and the supply chain. A recovery of customer demand for our products was particularly noticeable in the last quarter.

Our enzymes business delivered a record year in its bakery, food and textiles platforms driven by strong growth outside Europe, where we continued to enhance our local application and commercial capabilities. Innovative new products and operational efficiencies will be facilitated by the new state-of-the art pilot plant which was commissioned during the year. We maintained share in the animal feed enzyme market despite competitive pricing pressures.

ABITEC grew its sales in the pharmaceutical and nutritional lipids markets. Our yeast extracts business delivered a record year in sales and profit driven by increased sales to the fast-growing market for meat analogues, new product introductions in human and animal nutrition and demand recovery in the US foodservice industry. Our antacids and pharmaceutical excipients business, SPI Pharma, also delivered good growth fuelled by price and volumes, global momentum in antacids and the promising initial success of a new excipient product line for oral dosage forms.

Retail

	2021	2020	Actual currency	Constant currency
Revenue £m	**5,593**	5,895	-5%	-5%
Adjusted operating profit (after repayment of job retention scheme monies) £m	**321**	362	-11%	-11%
Adjusted operating profit (before repayment of job retention scheme monies) £m	**415**	362	+15%	+15%
Adjusted operating profit margin (before repayment of job retention scheme monies)	**7.4%**	6.1%		
Return on average capital employed (before repayment of job retention scheme monies)	**6.6%**	5.6%		

Sales at Primark, including a 53rd week this financial year, were 5% below last year at both actual and constant currency exchange rates. This year a third of the available trading days were lost as a result of store closures due to the public health measures in our major markets to control the spread of COVID-19. This compared with the loss of one quarter of the available trading days in the previous financial year. Despite this decreased level of trading days, adjusted operating profit, before repayment of job retention scheme monies, increased 15% to £415m representing an adjusted operating profit margin of 7.4% for the full year. Operating profit margin improved during the year from 1.9% in the first half to 10.6% in the second half, excluding the 53rd week. The repayment of monies received from the job retention schemes in the UK, Republic of Ireland, Portugal, Czechia and Slovenia this year has been charged in the second half at £94m.

This year has been characterised by greater than expected restrictions on the ability of Primark to trade. For this financial year we estimate the loss of sales, while stores were closed, to be some £2bn. When stores were open, full year like-for-like sales were 12% below two years ago and were 7% lower excluding destination city centre stores. In the first half, the like-for-like performance reflected lower category spend and lower footfall due to trading restrictions. When the stores reopened in the third quarter, customers came back to our stores in large numbers and sales were 3% ahead on a like-for-like basis compared to the same period two years ago. Like-for-like sales declined by 17% in the fourth quarter and were affected by the impact on footfall of the changes in public health measures. Trading varied considerably across the estate. In the UK, sales were affected by the number of people required to self-isolate following contact tracing alerts – the “pingdemic”. The self-isolation rules were then eased in early August with like-for-like sales showing a corresponding improvement through the period from a decline of 24% in the first four weeks of the quarter to a decline of 11% in the last four weeks of the quarter. In Continental Europe, like-for-like sales were impacted by the performance of our stores in Spain and Portugal with the decline in foreign tourism at that time.

Our US business performed well this financial year and delivered a good profit margin. Like-for-like sales consistently improved during the year and for the full year were 6% up on the same period two years ago excluding the city centre Boston store. Six years after our first store openings, Primark is clearly resonating with the US customer and brand awareness continues to build. This was especially evident in the strong trading at all the new stores opened during the year: Sawgrass Mills Florida, American Dream New Jersey, State Street Chicago and Fashion District Philadelphia. The performance of both our existing and newly opened stores, combined with the profitability, gives us confidence to increase the pace of expansion in this important market.

We continue to extend our product offering to meet changing customer needs. In September we launched an expanded Primark Home department at Merry Hill in the West Midlands, with increased in-store selling space to offer an all-new range of quality, affordable home and lifestyle products. The new space enabled us to offer a much wider range including new categories such as cookware, ceramics, rugs and furniture. Following a very positive customer response, we are rolling this extended range out to a total of 40 stores over the coming months.

Sales of our autumn/winter ranges have started well and sales densities continue to improve. Primark has capitalised on the continued trend for ‘comfort living’ with the launch of its range of ‘snuddies’, attracting a strong response from customers across all markets. Bestsellers include the avocado print for men and, under our licence collection, Minnie Mouse for kids. The Primark Edit of quality investment pieces for women has proven very popular since launch in September, with strong sales of its seasonal staples such as cotton cashmere jumpers and a classic trench coat driven by promotion on Primark’s social channels. Another trend which came through strongly in the second half was the desire by more customers to get outside and get active. We launched the Great Outdoors range with a collection of waterproof jackets, boots and breathable trousers spanning womenswear, menswear and kids. It has also extended the range of product under the Primark Cares label with 65% of the Outdoors collection made from recycled or more sustainably sourced materials. Overall, sales of the Primark Cares range, made from recycled and more sustainably sourced materials, continue to perform strongly since the customer launch of our sustainability strategy in September.

Following the strong trading after the reopening of our stores in the spring, inventory, which had built up during the lockdown, reduced. All spring/summer inventory brought forward from last year has been sold and the autumn/winter inventory held over from last season will be sold in the coming months. In recent weeks, we have experienced further supply chain disruption including temporary closures at dispatch ports, limited sea container availability and congestion at destination ports. These disruptions have delayed both the handover of inventory from suppliers and the shipping and delivery of inventory to store. We are closely managing this with the support of our logistics providers, taking advantage of our scale and efficient warehouses, and we are prioritising the product most in demand. Although, at this point, the disruption is causing limited availability on a small number of lines, our warehouse inventories give us stock cover on the majority of lines for the important Christmas trading period.

Margin in the second half benefited from a significant reduction in store operating costs, driven by lower employee headcount, improved labour scheduling, and savings in other operating costs. Looking ahead to our next financial year, operating profit margin will continue to benefit from these store labour efficiencies and lower operating costs. Our forecast is for the effect on margin of the increased costs relating to supply chain and raw material inflationary pressures to be broadly mitigated by these lower store operating costs and the transaction currency gain from the weaker US dollar exchange rate. We expect the adjusted operating profit margin to be above 10%.

In September, Primark unveiled a wide-reaching new sustainability strategy, pledging to make more sustainable fashion choices affordable for all. It is designed to reduce fashion waste, halve carbon emissions across its value chain and improve the lives of people who make Primark products. The new strategy was launched with a new customer campaign, 'How Change Looks', setting out the key commitments in prominent locations across all stores and digital channels in all our 14 markets. The nine-year programme includes commitments to ensure all Primark clothing is made from recycled or more sustainably sourced materials by 2030, increasing from 25% of all clothes sold at the time of launch; the elimination of all single-use plastics in Primark's own operations by 2027; and the commitment to pursue a living wage for workers in the supply chain by 2030. Primark will report annually on its progress against the nine high-level targets in the new strategy.

This sustainability transition is expected to lead to only a modest increase in costs in some areas of the business, net of mitigating actions, over the period to 2030. We are confident of our ability to mitigate these increased costs without any material impact on Primark's operating profit margin in the short term and without any significant movements in the margin over the longer term. Additionally, we believe that this is an opportunity to drive further sales growth from both existing and new customers.

Digital is becoming increasingly important in Primark. We expect the roll-out of the enabling stock management system, Oracle, across all our stores in the current financial year and for all stores to be equipped with state-of-the-art point of sale terminals by the end of calendar year 2022. Following the announcement in July of our plans to launch a new customer-facing website, the design and development of the new digital platform is progressing well. We are on track to launch the new website in the UK in the first quarter of 2022. The new site will showcase those products which customers expect to be able to browse online, before they come into our stores, with much richer product information and imagery for every product shown. We expect this to be around 70% of our total range, substantially up from some 20% on the current site. The new site will then enable customers to research product availability in their local store and this responds to what we know is a clear customer demand. The initial response from consumer testing has been positive. In addition, we are building digital marketing capability to enable us to start to capture and manage customer data and to begin to communicate directly with customers with relevant marketing messages.

At year end we were trading from 398 stores and 16.8 million sq ft of retail selling space, after our latest new store in the Fashion District of Philadelphia in the US was opened on 16 September. This represents an increase of 0.6 million sq ft over the year. Fifteen stores were added this year: four stores in the US; four in Spain; two in Italy, and one each in France, the UK, the Netherlands and Poland, as well as our first store in Czechia. We relocated to new premises in Southend. One of our first stores to open in the Netherlands, a small store in Alkmaar, was closed. Downsizing of the Downtown Crossing store in Boston was successfully completed in September. Encouragingly sales in the three German stores which were downsized last year have remained in line with pre-downsizing levels.

In the next financial year, we are planning to add a net 0.5 million sq ft of additional selling space. Eleven store openings have been confirmed: four new stores in Italy, four new stores in Spain and one store in each of US, Czechia and Ireland.

We see growth in all our existing markets. Over the next five years we expect our store estate to grow to 530 stores from 398 at financial year end. In particular, we will accelerate the expansion of our selling space in the major markets of the US, France, Italy and Iberia, building on our established brand recognition, proven track record of successful store openings and strengthening relationships with key landlords. Reflecting this, we are expanding our team of in-market specialist acquisition surveyors. We are increasing the use of technology and demographic data to inform our decisions about new store locations. Additionally, we expect to benefit from more store opportunities with the revival of property sector development as we emerge from the pandemic.

In the US, the potential for new stores is considerable. We successfully opened four stores in the last financial year, including new stores well beyond our existing north-east footprint, in Florida and Chicago. This financial year we are committed to opening a store on Jamaica Avenue, Queens and have already signed four further leases to expand our reach in the greater New York area and a lease for a store in Tyson's Corner, Washington.

In Western Europe, our major opportunities for growth are in Iberia, Italy and France. In Spain, our second biggest market, we opened four new stores during this financial year, including flagships in the city centres of Barcelona and Bilbao, bringing our total number to 52 at the year end. We have confirmed plans to open many more locations in this important country in the coming years, including four in the new financial year. We plan to add four new stores in Italy, the largest being Milan Via Torino.

We are also expanding into Central and Eastern Europe (CEE). A milestone was the opening of our 46,000 sq ft store in Prague's historic Wenceslas Square in June, building on our recently opened stores in Ljubljana Slovenia and in Poland. Our reception from CEE shoppers has been very positive. We are opening our second store in Czechia next summer and we have signed leases for our first store in Bratislava, Slovakia and four further stores in Poland.

In addition, we will continue to explore opportunities in new markets.

New store openings in the year ended 18 September 2021:

Czechia
Prague Wenceslas Square

France
Coquelles

Italy
Roma Maximo
Roma - Est

Netherlands
Rotterdam Forum

Poland
Poznan

Spain
Barcelona Sant Cugat
Espacio León
Bilbao Gran Via
Marbella

UK
Tamworth

US
Sawgrass Mills Florida
American Dream New Jersey
Chicago State Street
Philadelphia Fashion District

	Year ended 18 September 2021		Year ended 12 September 2020	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	**191**	**7,597**	190	7,534
Spain	**52**	**2,143**	48	1,988
Germany	**32**	**1,841**	32	1,841
Republic of Ireland	**36**	**1,076**	36	1,076
France	**20**	**1,044**	19	996
Netherlands	**20**	**1,016**	20	971
US	**13**	**563**	9	470
Belgium	**8**	**403**	8	403
Portugal	**10**	**383**	10	383
Italy	**7**	**361**	5	257
Austria	**5**	**242**	5	242
Poland	**2**	**77**	1	40
Czechia	**1**	**50**	n/a	n/a
Slovenia	**1**	**46**	1	46
Total	**398**	**16,842**	384	16,247

Financial review

Group performance

Group revenue was in line with last year on a reported basis at £13.9bn. On a reported basis adjusted operating profit of £1,011m was 1% lower than last financial year. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items are excluded from statutory operating profit.

The income statement this year included a net charge for exceptional items of £151m. This mainly comprised the impairment of certain plant and equipment in our sugar business. In Spain, our current view for yield and sugar content from beet sugar and lower margins due to the expected increase in future raw refining volumes, resulted in a non-cash exceptional charge of €136m to write-down the net asset value of this business. Given the ongoing trading challenges in some of our smaller sugar businesses, following a review of our projections for the forecast evolution of beet area and yields, we have made a non-cash adjustment of £21m to the relevant net asset values as an exceptional charge this year. An inventory charge of £21m in Primark was taken at the half year which related to the clearance from our stores before reopening after lockdown of certain seasonal items on display and which could not be sold before the end of the season. This provision was used during the second half of the year. Prior year exceptional items included a mark-down provision of £22m for potential damage to Primark inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic. Minimal damage was found and the majority of the provision was released this year.

On an unadjusted basis, statutory operating profit was in line with last year at £808m.

The strengthening of sterling this year against some of our trading currencies resulted in a loss on translation of £36m.

Net finance expense decreased this year due to the repayment of £25m of private placement debt and no RCF interest charges following the repayment of the facility at the end of the last financial year. Profits on the sale and closure of businesses amounted to £20m and profits less losses on sale of non-current assets were £4m.

Statutory profit before tax on a reported basis was up 6% to £725m. On our adjusted basis profit before tax was down by 1% to £908m.

Acquisitions and disposals

In May 2021, the Group's Ingredients business acquired DR Healthcare España, a Spanish enzymes producer for a total consideration of £14m.

During the period the Group contributed £43m to the bakery ingredients joint venture in China with Wilmar International. These businesses were classified as a disposal group and held for sale at the previous year end. In August 2021, the Group agreed the sale, subject to regulatory approval, of a further factory in China to this joint venture and a non-cash reversal of £10m for the impairment of these assets has been included in profit on sale and closure of business.

Closure provisions of £3m relating to disposals made in previous years which are no longer required were released to sale and closure of business in Ingredients and Grocery, both in Asia Pacific.

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 £255m at an effective rate of 28.1% (2020 – 28.8%). Based on current tax rates at the time of writing and with the recovery in Primark's profitability, we expect the Group's effective tax rate to fall next year to a level closer to pre-COVID rates.

Looking ahead beyond next year, we anticipate upward pressure on the effective tax rate due to the impact of corporation tax increases, notably the increase enacted in the UK, and the proposed increase recently announced in Ireland. We continue to monitor developments in other jurisdictions and also in respect of the OECD's BEPS 2.0 proposals.

The total tax charge for the year of £227m benefited from a credit of £27m (2020 – £42m) for tax relief on the amortisation of 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 £478m and the weighted average number of shares in issue during the year, which is used to calculate earnings per share, was 790 million (2020 – 790 million). Given the marginal decline in operating profits and the reduction in the adjusted effective tax rate from 28.8% to 28.1%, earnings per ordinary share were 5% higher than last year at 60.5p. Adjusted earnings per share, which provides a more consistent measure of trading performance, declined by 1% from 81.1p to 80.1p.

We decided not to declare an interim dividend nor propose a final dividend relating to the last financial year. This was due to the impact of COVID-19 on the Group's cash flow driven by the duration and number of Primark store closures. This year the Board declared an interim dividend of 6.2 pence per share (2020 – nil) which was paid on 9 July 2021 to shareholders registered at the close of business on 4 June 2021.

For the full year, the Board has proposed a final dividend of 20.5p per share giving a full year dividend of 26.7p per share. Further, the Board has declared the payment of a special dividend, to be paid as a second interim dividend, of 13.8p per share. The payment date for the 2021 final dividend and second interim dividend will be 14 January 2022 to shareholders on the register on 17 December 2021.

Total dividends for the 2021 financial year would therefore be 40.5p per share at a total cost of £320m.

Balance sheet

Non-current assets of £10.8bn were £0.1bn lower than last year. This was driven by a decrease in the investment in property, plant and equipment and right-of-use assets with depreciation, amortisation and impairments higher than capital expenditure and acquisitions made in the year. This was mostly offset by an increase in employee benefits assets as the surplus in the UK defined benefit pension scheme improved significantly.

Working capital at the year end was marginally higher than last year.

Net cash at the year end excluding lease liabilities was £1.9bn compared with net cash at the end of last year of £1.6bn reflecting the strong operating cash flow in the year. Net debt including lease liabilities was £1.4bn compared with £2.1bn last year.

The Group's net assets of £10bn were £0.6bn higher than last year. 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 higher this year at 9.8% compared with 9.5% last year.

Cash flow

Net cash inflow from operating activities decreased from £1,753m last year to £1,413m this year mainly as a result of the increase in the change in working capital compared to the prior year. Capital expenditure increased by £5m compared to the prior year and £21m was realised from the sale of property, plant and equipment. The net cash outlay on acquisitions and disposals was £23m.

Tax paid in the year amounted to £298m (2020 – £254m). The increase in tax paid was primarily due to the state aid payment of £23m and tax top up payments made due to strong final quarter results at the end of 2020.

Financing and liquidity

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

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

The Board has approved a financial leverage policy for the Group. In the ordinary course, the Board prefers to see the Group's ratio of Net Debt including lease liabilities:Adjusted EBITDA to be well under 1.5 times at each half-year and year-end reporting date. In exceptional circumstances, it will be prepared to see leverage above that level for a short period of time.

We are pleased that S&P Global announced that they had assigned to the Group an 'A' grade long-term issuer credit rating, with a stable outlook, which reflected the strength of each of the Group's businesses, their diversity, and ABF's strong credit metrics underpinned by a conservative financial policy.

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. At the year end, £0.3bn 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 £2.3bn at the year end, of which centrally available cash on hand was £1.9bn.

The Group holds substantial net cash bank balances, which reduce its net debt, which include lease liabilities, and most importantly ensure that it has sufficient liquidity to meet unforeseen requirements.

Pensions

The Group's defined benefit pension schemes were in surplus by £493m at the year end compared with a deficit last year of £66m. The UK scheme, which accounts for 91% of the Group's gross pension assets, was in surplus by £633m (2020 – £94m). The increase in the UK pension surplus was driven by large asset gains on the pension assets, whereas the defined benefit obligations increased marginally driven by adverse changes in inflation assumptions. The pension surplus for the Group will result in an increased interest income compared to last year, and this will be reported in other financial income.

The last triennial valuation of the UK scheme was undertaken at 5 April 2020 which determined a deficit of £302m. This valuation was performed just after the first COVID-19 measures were introduced. Although we were required to agree a recovery plan with the trustees, in the light of the subsequent asset performance, we do not currently expect to make any payments.

The charge for the year for the Group's defined contribution schemes, which was equal to the contributions made, amounted to £81m (2020 – £79m). This compared with the cash contribution to the defined benefit schemes of £42m (2020 – £37m).

New accounting policies

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

- Amendments to IFRS 3 *Definition of a Business;*
- Amendments to IAS 1 and IAS 8 *Definition of Material;*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 1;* and
- Amendments to *References to the Conceptual Framework in IFRS Standards.*

John Bason
Finance Director

The annual report and accounts is available at www.abf.co.uk and will be despatched to shareholders on 11 November 2021. The annual general meeting will be held at 11am on Friday, 10 December 2021. Further details are provided in the Notice of Annual General Meeting, although please also monitor the AGM 2021 page of the Company's website (www.abf.co.uk/agm) for any updates.

Managing our risks

Our approach to risk management

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

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

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

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

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

The Director of Financial Control holds meetings with each of the non-executive directors seeking their feedback on the reviews performed and discussing the key risks, which include emerging risks, and mitigating activities identified through the risk assessment exercise. Once all non-executive directors have been consulted, a Board report is prepared summarising the full process and providing an assessment of the status of risk management across the Group. The key risks, mitigating controls and relevant policies are summarised and the Board confirms the Group's principal risks. These are the risks which could prevent Associated British Foods 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 maintained and that key and emerging risks are being appropriately identified and managed.

COVID-19

Effective communication both within our businesses and across the Group has ensured that our food businesses continued to operate, providing safe, nutritious and affordable food to customers. Primark's leadership demonstrated agility in responding to store activities being restricted at short notice. In addition, its effective planning ensured that the UK stores were well prepared for a safe reopening from 12 April.

COVID-19 has resulted in increased volatility and uncertainty in almost all of our markets, particularly the UK, Europe and the US, where there is a high risk of inflation impacting on energy, commodities and wages. During the year, changes in public health measures in our major markets to control the spread of COVID-19, and the Delta variant in particular, have impacted both our customers and employees. Whilst the UK now has an advanced vaccination programme and the majority of COVID-19 restrictions have been lifted, the outlook is currently more mixed in a number of countries in which we operate. For example, there continue to be ongoing lockdowns in place across Australia and New Zealand. In addition, our retail business continues to adapt to localised restrictions and special arrangements for shoppers in some of our markets, for example in Portugal and Slovenia.

As the world starts to emerge from the COVID-19 pandemic, there are continuing impacts our consumers, customers, retailers, suppliers and our employees. Across a number of our businesses, there is the risk of increased pressure on the supply chains resulting from labour shortages as economies reopen which are exacerbated by employee health and safety concerns. The closure of the Suez Canal in March compounded some supply chain challenges that resulted from the pandemic and increased buying as economies have reopened. We have contracts in place for major parts of our business to ensure that we have the cost, stability and interim security of volumes in the volatile inbound market. Our businesses are reliant on the availability of skilled HGV drivers. Whilst there is currently a shortage of drivers in other parts of Europe, the USA and Australia, the situation has been exacerbated in the UK as a result of the EU exit. We continue to work closely with our major carriers and logistics partners to minimise supply chain disruption. The situation remains fluid and is being closely managed and monitored.

Throughout the pandemic, the Audit Committee, on behalf of the Board has provided ongoing support and challenge to management's processes and internal controls. Numerous lessons have been learnt 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.

EU exit

Our businesses were well prepared for the end of the Brexit transition period and we have seen no material disruption to our supply chains. We have experienced a small increase in the administrative costs of trading and in limited cases duties related to our trading with the EU.

Regulatory changes

Our businesses are facing a large number of regulatory changes over the coming years with new requirements being developed in a number of areas including the Task Force on Climate-related Financial Disclosures (TCFD), Environmental, Social and Governance (ESG), extended producer responsibility regarding packaging and plastics and the potential requirements resulting from the BEIS White Paper: Restoring Trust in Audit and Corporate Governance. For each of these areas, groupwide initiatives are well advanced to meet the specific requirements. The extent of change will have an impact on the capacity of management at the time when they are dealing with the ongoing challenges resulting from COVID-19, alongside the day-to-day growth of our businesses.

Environment

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

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

Our principal risks and uncertainties

The directors have carried out an assessment of the principal risks facing 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 2021 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 2020' describe our experience and activity over the last year.

External risks

Movement in exchange rates

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

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

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

Board-approved policies require businesses to hedge all transactional currency exposures and long-term supply or purchase contracts which are denominated in a foreign currency, using foreign exchange forward contracts.

Cash balances and borrowings are largely maintained in the functional currency of the local operations.

Cross-currency swaps are used to align borrowings with the underlying currencies of the Group's net assets (refer to note 26 to the financial statements for more information).

Changes since 2020
Sterling strengthened against most of our trading currencies this year, resulting in a loss on translation of £36m.

Primark covers its currency exposure on purchases of merchandise denominated in foreign currencies at the time of placing orders, with an average tenor of Primark's hedging activity of between three and four months. There was a positive transactional effect from changes in the US dollar exchange rate on Primark's largely dollar-denominated purchases for the year in aggregate.

The strengthening of sterling against our major trading currencies during the financial year has largely been a result of better certainty with the EU exit completion at the end of 2020 and improved confidence as the UK's roadmap out of the COVID-19 lockdown was developed and restrictions subsequently eased.

Fluctuations in commodity and energy prices

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

Mitigation
The Group purchases a wide range of commodities in the ordinary course of business.

We constantly monitor the markets in which we operate and manage certain of these exposures with exchange traded contracts and hedging instruments.

The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.

Changes since 2020
Commodity price inflation has been a global factor throughout the year. A number of our food and agriculture businesses have seen increases in energy and agricultural commodity prices in the latter part of the financial year, with expectations of further increases in the new financial year. The price of corn oil, in particular, has increased, impacting profit margins in ACH. Energy prices, particularly in the UK and Europe, have recently increased materially as a result of significant market uncertainty.

Businesses continue to manage price risk under their existing risk management frameworks and, where appropriate, reflect this in pricing of products.

Sugar prices in Europe and Africa have increased during the year, with a positive impact on profitability.

Increased
Unchanged
Decreased

Operating in global markets

Context and potential impact
Associated British Foods operates in 53 countries with sales and supply chains in many more, so we are exposed to global market forces; fluctuations in national economies; societal unrest and geopolitical uncertainty; a range of consumer trends; evolving legislation and changes made by our competitors.

Failure to recognise and respond to any of these factors could directly impact the profitability of our operations.

Entering new markets is a risk to any business.

Mitigation
Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The Group's financial control framework and Board-adopted tax and treasury policies require all businesses to comply fully with relevant local laws.

Provision is made for known issues based on management's interpretation of country-specific tax law, EU cases and investigations on tax rulings and their likely outcomes.

By their nature socio-political events are largely unpredictable. Nonetheless our businesses have detailed contingency plans which include site-level emergency responses and improved security for employees.

We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy.

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

Changes since 2020
COVID-19 has resulted in increased volatility and uncertainty in a number of our markets, particularly the UK, Europe and the US, where there is a high risk of inflation impacting on energy, commodities and wages.

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

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

Fifteen new Primark stores were opened in the year including our first store in Czechia.

Health and nutrition

Context and potential impact
Failure to adapt to changing consumer health choices or to address nutrition concerns in the formulation of our products, related to consumer preferences or government public health policies, could result in a loss of consumer base and impact business performance.

Mitigation
Consumer preferences and market trends are monitored continually.

Recipes are regularly reviewed and reformulated to improve the nutritional value of our products.

All of our grocery products are labelled with nutritional information.

We actively consider consumer health in the context of brand development and merger and acquisition activity. For example, the launch of the Twinings wellness range. Branded grocery acquisitions over the past decade include Acetum, producers of Balsamic Vinegar of Modena, that is typically consumed as an accompaniment to salads; and Dorset Cereals, producers of high-fibre breakfast cereals made from whole grains and dried fruits, nuts and seeds.

Our brands develop partnerships with other organisations to promote healthy options, for example, Ryvita has partnered with Cancer Research UK on a campaign to promote fibre consumption in the UK.

Before COVID-19, our specialist sports-nutrition brand HIGH5 typically supported over 600 events which promote exercise across the UK each year, helping over 500,000 people improve their fitness levels. These events are predominantly promoted online, and HIGH5 assists in this promotion by highlighting events on its 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.

Changes since 2020
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 has continued to engage 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 continued to develop into a global platform. The aim is to provide factual information based on robust science to help inform and educate people about sugar and 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 nutrition science and changes to the regulatory and consumer operating environment.

Increased
Unchanged
Decreased

Operational risks

Workplace health and safety

Context and potential impact
Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and visitors. We are saddened that since the start of the pandemic in March 2020, we have lost 43 colleagues to COVID-19. We deeply mourn their passing and our hearts go out to their families and colleagues.

Mitigation
Safety continues to be one of our main priorities. The chief executives of each business, who lead by example, are accountable for the safety performance of their business.

Our Health and Safety Policy and Practices are firmly embedded in each business, supporting a strong ethos of workplace safety.

We have a continuous safety audit programme to verify implementation of safety management and support a culture of continuous improvement.

Best practice safety and occupational health guidance is shared across the businesses, co-ordinated from the corporate centre, to supplement the delivery of their own programmes.

Changes since 2020
The safety performance of the Group is reported in the 2021 Responsibility Update at www.abf.co.uk/responsibility.

We are saddened to report that in the year there were two work-related fatalities in our southern Africa sugar operations. Our businesses have conducted thorough root cause analyses and have implemented safety changes.

This year over £39m was invested in reducing the safety and health risks across a wide range of operational hazards. As part of this we invested £9.3m dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. A Group-level steering committee has shared best practice for minimising the risk of infection across all of our businesses.

In Illovo, we launched a Group Vaccination Roll-out Campaign which has seen almost 20,000 employees, dependants, growers and community members vaccinated against COVID-19 to date. We plan to continue the campaign in the coming months to reach many more.

Product safety and quality

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

Mitigation
Product safety is put before economic considerations.

We operate strict food safety and traceability policies within an organisational culture of hygiene and product safety to ensure consistently high standards in our operations and in the sourcing and handling of raw materials and garments.

Food quality and safety audits are conducted across all our manufacturing sites, by independent third parties and customers, and a due diligence programme is in place to ensure the safety of our retail products.

Our sites comply with international food safety and quality management standards and our businesses conduct regular mock product incident exercises.

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

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

Changes since 2020
We did not have any major product recalls.

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

Increased
Unchanged
Decreased

Breaches of IT and information security

Context and potential impact

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

Our delivery of efficient and effective operations is enhanced by the use of relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as computer viruses and the loss or theft of data.

There is the potential for disruption to operations from data centre failures, IT malfunctions or external cyber-attacks.

Mitigation

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

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

We have established Group IT security policies, technologies and processes, all of which are subject to regular internal audit.

Access to sensitive data is restricted and closely monitored.

Robust disaster recovery plans are in place for business-critical applications and are adequately tested.

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

Changes since 2020

As the number of employees working at home as a result of COVID-19 restrictions remains high, the impact on the delivery of IT services and the need for increased information security has been enveloped into our daily practices.

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

To maintain the support for seamless homeworking we continue to modify our IT infrastructure, manage bandwidth with our telecommunications partners and improve our 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 homeworking best practices.

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

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

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

Increased
Unchanged
Decreased

Our use of natural resources and managing our environmental impact

Context and potential impact

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

Our businesses and supply chains operate in many areas subject to climate change risks and opportunities as we transition to a lower-carbon world. Our ongoing success depends on mitigating these risks and making the most of the opportunities. 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 and decentralised 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, wastewater and waste which, if not controlled, could pose a risk to the environment and local communities, potentially creating risk to our licence to operate and resulting in additional costs.

Mitigation

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

Climate change, with its associated risks and opportunities, is not a new issue. It has long been important to us and our stakeholders. We have considered some of these issues for many years as part of normal commercial decision-making, for example Primark's longstanding Sustainable Cotton Programme, and the assessment of drought risk to the wheat supply in our Australian bakery business, long standing progress in reducing energy use in sugar refining. It is not a separate and parallel discipline; it is already part of the ordinary course of business and we are working to understand and improve this further.

The Board receives a formal update from the Group Corporate Responsibility Director, the Chief People and Performance Officer and the Group Safety and Environment Manager on environmental issues annually including on GHG emissions and carbon management. In addition, environmental issues are addressed as part of both specific and routine Board agenda items. As an example, Primark reported to the Board in June 2021 on its carbon reduction footprint.

The Audit Committee and the Board have received specific briefings on climate change matters and on our approach to achieving TCFD compliance. We have engaged external experts to support our TCFD implementation and established a steering committee to oversee its governance, which reports to the Audit Committee. The steering committee comprises senior functional leaders from Corporate Social Responsibility, Environment, Finance, Risk Management, Corporate Affairs and HR, together with senior representation from AB Sugar and Primark.

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

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 Textiles 2030 Initiative, to accelerate the whole fashion and textiles industry's move towards circularity and system change in the UK.

Through Primark's Sustainable Cotton Programme we have committed to train 160,000 farmers in more sustainable farming methods by 2022. This is a significant commitment towards helping Primark fulfil our long-term ambition of ensuring all the cotton used in our supply chain is sustainably sourced.

Changes since 2020

The environmental performance of the Group is reported in the 2021 Responsibility Update at www.abf.co.uk/responsibility.

This year, we began engaging formally with each business in respect of TCFD, building on existing awareness of climate change issues. This will continue in the coming year until full reporting under TCFD begins for ABF in 2022 and thereafter on an ongoing basis. We are currently reviewing the governance of climate-related risks and opportunities to ensure the Board is enabled to fully consider these while setting our strategy and overseeing major decisions.

To better understand how the potential long-term impacts of climate change might affect our businesses, our performance and our balance sheet, this year we began scenario analysis. Our overall focus is on the specific businesses and raw materials with the greatest identified climate risk exposure, and those that offer the greatest transition opportunities. We identified Primark, AB Sugar and Twinings as the businesses with the most material climate-related risks and opportunities. In 2020, these three businesses comprise in aggregate 73% of adjusted operating profit, 69% of Scope 1 and 2 emissions and 97% of water usage.

This year, we also performed a high-level exercise to establish an overview of our Scope 3 emissions. These same three businesses comprised a significant proportion of those emissions.

We continued to focus on improving our energy efficiency and optimising the use of renewable energy sources with 54% of energy used this year coming from renewables, mainly from a biomass-based fuel.

This year 79% of the waste materials generated by our businesses' operations was sent for recycling, recovery or other beneficial uses.

Twinings in the UK is a carbon neutral business thanks to energy efficiency projects and the greater use of renewable energy.

GWF achieved its GHG and water reduction targets of 20% reduction by 2020, against a 2010 baseline as set by the Australian Food & Grocery Council.

As a Group we continue to develop our single-use plastic packaging solutions 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 business is a signatory 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.

GWF is a member of the Australian Packaging Covenant Organisation (APCO) and has committed that by 2025 its packaging will be designed to be 100% recyclable, reusable or compostable to help "close-the-loop".

Primark launched the Primark Cares sustainability strategy focused on People, Planet and Product with targets of halving its carbon footprint across our entire Primark value chain by 2030 and changing the way we make clothes to ensure they are recyclable by design by 2027 and, by 2030, made from recycled fibres or more sustainably sourced materials. Additionally, we will eliminate single-use plastics and all non-clothing waste by 2027 and already work with cotton farmers to deliver better soil health, biodiversity and water quality in the regions where our cotton is grown.

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

Our supply chain and ethical business practices

Context and potential impact

As an international business we understand that we have both a role to play in delivering on the UN sustainable agenda and also that we are expected to abide by internationally agreed rules of business conduct. Doing so means we are managing risks to our business and to all those involved in our supply chains, and so we expect that our supply chain partners will work within the same framework as us. We work with our supply chain partners to help them meet our standards of acceptable working conditions, financial stability, ethics and technical competence. Potential supply chain and ethical business practice risks include:

- the vulnerability of workers in our supply chains and the amplification of this as a result of the ongoing impacts of COVID-19;
- inconsistent adoption of a rigorous human rights due diligence approach across the Group; and low transparency of Group human rights impact.

Mitigation

Our businesses ask their suppliers to work in line with recognised standards, including the UN Guiding Principles on Business and Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at work and our Supplier Code of Conduct. This code, which incorporates the Ethical Trading Initiative Base Code, underpins any relevant policies or standards the businesses set themselves. We have developed a groupwide online training module about modern slavery to help accelerate awareness-raising and give businesses the tools to train people.

Primark has strengthened our policies around modern slavery and published a revised Supplier Code of Conduct. This is a combination of the ABF Group Code of Conduct and the Base Code of the Ethical Trading Initiative, of which Primark is a member. Our new Code is tailored specifically to some of the risks Primark perceives in our supply chains. We are internationally recognised for our ethical trade programme. More information is available at https://corporate.primark.com/en.

Twinings uses a comprehensive Community Needs Assessment Framework, which has been developed in consultation with expert organisations to help understand what supply chain communities really need. In addition to human and labour rights, it covers housing, water and sanitation, health and nutrition, gender and children's rights, land rights, farming practices and more.

Primark, Twinings and AB Sugar have all produced interactive sourcing maps to better understand and address the challenges in their supply chain operations.

Primark's map shows suppliers' production sites covering 95% of Primark products for sale in stores: https://corporate.primark.com/en/our-approach/our-standards/global-sourcing-map.

Twinings' map outlines where we source tea and ingredients: https://www.sourcedwithcare.com/en/our-approach/sourcing-map.

AB Sugar's map outlines where we grow, source and export sugar: www.absugar.com/sourcing-map.

Changes since 2020

Our Modern Slavery and Human Trafficking Statement 2021, 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 2021 Responsibility Update at www.abf.co.uk/responsibility.

In June 2021, the UK Government's Business Against Slavery Forum coalition hosted a Ministerial Forum at which the chief executives of member companies discussed relevant issues with ministers. Our Chief Executive, George Weston, attended this event and contributed to discussions on several themes, including the UK Government's forthcoming Modern Slavery Strategy Review, the challenges involved in modern slavery due diligence and how to harness the power of transparency and other levers for positive change.

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

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

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

Twinings published its Human Rights Policy in 2021.

Twinings set a target in 2016 to positively impact 500,000 people through Sourced with Care. The programme has now reached almost 544,000 people and delivered lasting change.

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 business sets a strategic planning time horizon appropriate to its activities and 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 16 to 22 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 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 £2,307m and £1,088m of undrawn committed Revolving Credit Facilities (RCF) which together provide some £3,395m of liquidity. In August 2020, 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 all of the £297m of outstanding private placement notes will mature and the RCF will require refinancing. It is the opinion of the board based on the credit rating and the strength of the balance sheet that this facility can be renewed, and that substantial further funding could be secured should the need arise. Events of COVID-19 and the last year show that there was a value in having sufficient financial resources and credit strength to manage the operational challenges faced across our businesses. ABF has sought an external validation of our credit strength and the A grade credit rating from S&P Global reflects this.

The diversity of the Group is such that we have some 60 different businesses operating in different markets, sectors, customers, geographies and products. 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 likely to give rise to a deterioration in trading to a level that might threaten the viability of the Company for the period of the assessment.

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

Even in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period, the possibility of the Group having insufficient resources to meet its financial obligations is considered 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 14 September 2024.

Going concern

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

The forecast for the going concern assessment period to 28 February 2023 has been updated for the business's latest trading in October and is our best estimate of cashflow in the period. Having reviewed this forecast and having applied a downside sensitivity and performed a reverse stress test, we consider it a remote possibility that the financial headroom could be exhausted.

At the full year, the Group had net cash, before lease liabilities, of £1,901m and had an undrawn, committed RCF of £1,088m for the coming year. The directors have satisfied themselves that the RCF is available for at least the going concern assessment period, having assessed the Group's projected compliance with the remaining terms and covenants of these facilities. Events of COVID-19 and the last year show that there was a value in having sufficient financial resources and credit strength to manage the operational challenges faced across our businesses. ABF has sought an external validation of our credit strength and the A grade credit rating from S&P Global reflects this.

In August 2020, a two-year extension to the Group's RCF was agreed with its relationship banks, extending the maturity of the facility to July 2023. Whilst this maturity date is beyond the going concern assessment period, it is the opinion of the Board, based on the credit rating and the strength of the balance sheet, that this facility can be renewed, and that substantial further funding could be secured should the need arise.

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

The diversity of the Group is such that we have some 60 different businesses operating in different markets, sectors, customer groups, geographies and products. 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 likely to give rise to a deterioration in trading to a level that might threaten the viability of the Company for the period of the assessment.

As a downside scenario, the directors considered the extreme adverse scenario in which half of the Primark estate was closed for six months including the forthcoming Christmas trading period, without taking any of the available cost mitigation actions within their control and assuming no available job retention scheme support. Under this downside scenario the Group has a forecast net cash position throughout the period and forecast compliance with the covenants in the debt facilities.

In addition, we also considered the circumstances which would be needed to exhaust the Group's cash resources over the assessment period - a reverse stress test. This would indicate that all Primark stores would need to remain completely closed for more than 12 months, including the peak Christmas sales period. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a long period, management could take substantial mitigating actions, such as cost cutting measures and reducing capital investment. Secondly, we have seen governments develop a number of measures to contain the virus, including widespread vaccination programmes, which make it likely that any future lockdowns would be regional.

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 53 weeks ended 18 September 2021 which may be found at www.abf.co.uk and will be despatched to shareholders on 11 November 2021. Accordingly this responsibility statement makes reference to the financial statements of the Company and the group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

9 November 2021

Consolidated income statement

for the 53 weeks ended 18 September 2021

Continuing operations	note	2021 £m	2020 £m
Revenue	1	**13,884**	13,937
Operating costs before exceptional items		**(13,008)**	(13,046)
Exceptional items	2	**(151)**	(156)
		725	735
Share of profit after tax from joint ventures and associates		**79**	57
Profits less losses on disposal of non-current assets		**4**	18
Operating profit		**808**	810
Adjusted operating profit	1	**1,011**	1,024
Profits less losses on disposal of non-current assets		**4**	18
Amortisation of non-operating intangibles		**(50)**	(59)
Acquired inventory fair value adjustments		**(3)**	(15)
Transaction costs		**(3)**	(2)
Exceptional items	2	**(151)**	(156)
Profits less losses on sale and closure of businesses	7	**20**	(14)
Profit before interest		**828**	796
Finance income		**9**	11
Finance expense	3	**(111)**	(124)
Other financial (expense)/income		**(1)**	3
Profit before taxation		**725**	686
Adjusted profit before taxation		**908**	914
Profits less losses on disposal of non-current assets		**4**	18
Amortisation of non-operating intangibles		**(50)**	(59)
Acquired inventory fair value adjustments		**(3)**	(15)
Transaction costs		**(3)**	(2)
Exceptional items	2	**(151)**	(156)
Profits less losses on sale and closure of businesses	7	**20**	(14)
Taxation – UK (excluding tax on exceptional items)		**(68)**	(69)
– UK (on exceptional items)		**3**	1
– Overseas (excluding tax on exceptional items)		**(196)**	(189)
– Overseas (on exceptional items)		**34**	36
	4	**(227)**	(221)
Profit for the period		**498**	465
Attributable to			
Equity shareholders		**478**	455
Non-controlling interests		**20**	10
Profit for the period		**498**	465
Basic and diluted earnings per ordinary share (pence)	6	**60.5**	57.6
Dividends per share paid and proposed for the period (pence)	5	**26.7**	nil
Special dividend per share proposed for the period (pence)	5	**13.8**	nil

Consolidated statement of comprehensive income

for the 53 weeks ended 18 September 2021

	2021 £m	2020 £m
Profit for the period recognised in the income statement	**498**	465
Other comprehensive income		
Remeasurements of defined benefit schemes	**559**	(89)
Deferred tax associated with defined benefit schemes	**(144)**	15
Items that will not be reclassified to profit or loss	**415**	(74)
Effect of movements in foreign exchange	**(355)**	(97)
Net loss on hedge of net investment in foreign subsidiaries	**14**	(3)
Deferred tax associated with movements in foreign exchange	**–**	1
Reclassification adjustement for movements in foreign exchange on subsidiaries disposed	**(6)**	–
Movement in cash flow hedging position	**39**	(15)
Deferred tax associated with movement in cash flow hedging position	**(14)**	–
Share of other comprehensive income of joint ventures and associates	**(10)**	(1)
Effect of hyperinflationary economies	**18**	17
Items that are or may be subsequently reclassified to profit or loss	**(314)**	(98)
Other comprehensive income/(loss) for the period	**101**	(172)
Total comprehensive income for the period	**599**	293
Attributable to		
Equity shareholders	**579**	296
Non-controlling interests	**20**	(3)
Total comprehensive income for the period	**599**	293

Consolidated balance sheet

at 18 September 2021

	2021 £m	2020 £m
Non-current assets		
Intangible assets	**1,581**	1,629
Property, plant and equipment	**5,286**	5,651
Right-of-use assets	**2,649**	2,990
Investments in joint ventures	**278**	233
Investments in associates	**60**	56
Employee benefits assets	**640**	100
Income tax	**23**	–
Deferred tax assets	**218**	212
Other receivables	**55**	45
Total non-current assets	**10,790**	10,916
Current assets		
Assets classified as held for sale	**13**	43
Inventories	**2,151**	2,150
Biological assets	**85**	72
Trade and other receivables	**1,367**	1,328
Derivative assets	**124**	102
Current asset investments	**32**	32
Income tax	**58**	30
Cash and cash equivalents	**2,275**	1,996
Total current assets	**6,105**	5,753
Total assets	**16,895**	16,669
Current liabilities		
Liabilities classified as held for sale	**–**	(5)
Lease liabilities	**(289)**	(297)
Loans and overdrafts	**(330)**	(154)
Trade and other payables	**(2,386)**	(2,316)
Derivative liabilities	**(34)**	(87)
Income tax	**(172)**	(171)
Provisions	**(71)**	(123)
Total current liabilities	**(3,282)**	(3,153)
Non-current liabilities		
Lease liabilities	**(2,992)**	(3,342)
Loans	**(76)**	(318)
Provisions	**(31)**	(41)
Deferred tax liabilities	**(363)**	(210)
Employee benefits liabilities	**(147)**	(166)
Total non-current liabilities	**(3,609)**	(4,077)
Total liabilities	**(6,891)**	(7,230)
Net assets	**10,004**	9,439
Equity		
Issued capital	**45**	45
Other reserves	**175**	175
Translation reserve	**(34)**	323
Hedging reserve	**43**	(7)
Retained earnings	**9,692**	8,819
Total equity attributable to equity shareholders	**9,921**	9,355
Non-controlling interests	**83**	84
Total equity	**10,004**	9,439

Consolidated cash flow statement

for the 53 weeks ended 18 September 2021

	2021 £m	2020 £m
Cash flow from operating activities		
Profit before taxation	**725**	686
Profits less losses on disposal of non-current assets	**(4)**	(18)
Profits less losses on sale and closure of businesses	**(20)**	14
Transaction costs	**3**	2
Finance income	**(9)**	(11)
Finance expense	**111**	124
Other financial expense/(income)	**1**	(3)
Share of profit after tax from joint ventures and associates	**(79)**	(57)
Amortisation	**74**	89
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)	**823**	827
Impairment of property, plant & equipment and right-of-use assets	**–**	15
Exceptional items	**151**	156
Acquired inventory fair value adjustments	**3**	15
Effect of hyperinflationary economies	**7**	5
Net change in the fair value of current biological assets	**(12)**	(1)
Share-based payment expense	**17**	8
Pension costs less contributions	**4**	10
(Increase)/decrease in inventories	**(120)**	199
(Increase)/decrease in receivables	**(98)**	81
Increase/(decrease) in payables	**175**	(174)
Purchases less sales of current biological assets	**(1)**	(1)
(Decrease)/increase in provisions	**(40)**	41
Cash generated from operations	**1,711**	2,007
Income taxes paid	**(298)**	(254)
Net cash generated from operating activities	**1,413**	1,753
Cash flow from investing activities		
Dividends received from joint ventures and associates	**63**	43
Purchase of property, plant and equipment	**(551)**	(561)
Purchase of intangibles	**(76)**	(61)
Lease incentives received	**10**	35
Sale of property, plant and equipment	**21**	30
Purchase of subsidiaries, joint ventures and associates	**(57)**	(16)
Sale of subsidiaries, joint ventures and associates	**34**	2
Purchase of other investments	**(14)**	(1)
Interest received	**9**	11
Net cash used in investing activities	**(561)**	(518)
Cash flow from financing activities		
Dividends paid to non-controlling interests	**(4)**	(7)
Dividends paid to equity shareholders	**(49)**	(271)
Interest paid	**(116)**	(104)
Repayment of lease liabilities	**(290)**	(247)
Decrease in short-term loans	**(10)**	(43)
Decrease in long-term loans	**(18)**	(2)
Increase in current asset investments	**(2)**	(2)
Purchase of shares in subsidiary undertaking from non-controlling interests	**(23)**	(2)
Net cash used in financing activities	**(512)**	(678)
Net increase in cash and cash equivalents	**340**	557
Cash and cash equivalents at the beginning of the period	**1,909**	1,358
Effect of movements in foreign exchange	**(60)**	(6)
Cash and cash equivalents at the end of the period	**2,189**	1,909

Consolidated statement of changes in equity

for the 53 weeks ended 18 September 2021

	Attributable to equity shareholders						Non-	
	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	controlling interests £m	Total equity £m
Balance as at 14 September 2019	45	175	409	(9)	8,832	9,452	98	9,550
IFRS 16 opening balance adjustment	–	–	–	–	(149)	(149)	(1)	(150)
Balance as at 15 September 2019	45	175	409	(9)	8,683	9,.303	97	9,400
Total comprehensive income								
Profit for the period recognised in the income statement	–	–	–	–	455	455	10	465
Remeasurements of defined benefit schemes	–	–	–	–	(89)	(89)	–	(89)
Deferred tax associated with defined benefit schemes	–	–	–	–	15	15	–	15
Items that will not be reclassified to profit or loss	–	–	–	–	(74)	(74)	–	(74)
Effect of movements in foreign exchange	–	–	(83)	(1)	–	(84)	(13)	(97)
Net loss on hedge of net investment in foreign subsidiaries	–	–	(3)	–	–	(3)	–	(3)
Deferred tax associated with movements in foreign exchange	–	–	1	–	–	1	–	1
Movement in cash flow hedging position	–	–	–	(15)	–	(15)	–	(15)
Share of other comprehensive income of joint ventures and associates	–	–	(1)	–	–	(1)	–	(1)
Effect of hyperinflationary economies	–	–	–	–	17	17	–	17
Items that are or may be subsequently reclassified to profit or loss	–	–	(86)	(16)	17	(85)	(13)	(98)
Other comprehensive income	–	–	(86)	(16)	(57)	(159)	(13)	(172)
Total comprehensive income	–	–	(86)	(16)	398	296	(3)	293
Inventory cash flow hedge movements								
Gains transferred to cost of inventory	–	–	–	18	–	18	–	18
Total inventory cash flow hedge movements	–	–	–	18	–	18	–	18
Transactions with owners								
Dividends paid to equity shareholders	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held	–	–	–	–	8	8	–	8
Deferred tax associated with share-based payments	–	–	–	–	1	1	–	1
Dividends paid to non-controlling interests	–	–	–	–	–	–	(8)	(8)
Acquisition and disposal of non-controlling interests	–	–	–	–	–	–	(2)	(2)
Total transactions with owners	–	–	–	–	(262)	(262)	(10)	(272)
Balance as at 12 September 2020	45	175	323	(7)	8,819	9,355	84	9,439
Total comprehensive income								
Profit for the period recognised in the income statement	**–**	**–**	**–**	**–**	**478**	**478**	**20**	**498**
Remeasurements of defined benefit schemes	**–**	**–**	**–**	**–**	**559**	**559**	**–**	**559**
Deferred tax associated with defined benefit schemes	**–**	**–**	**–**	**–**	**(144)**	**(144)**	**–**	**(144)**
Items that will not be reclassified to profit or loss	**–**	**–**	**–**	**–**	**415**	**415**	**–**	**415**
Effect of movements in foreign exchange	**–**	**–**	**(355)**	**–**	**–**	**(355)**	**–**	**(355)**
Net gain on hedge of net investment in foreign subsidiaries	**–**	**–**	**14**	**–**	**–**	**14**	**–**	**14**
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Movement in cash flow hedging position	**–**	**–**	**–**	**39**	**–**	**39**	**–**	**39**
Deferred tax associated with movements in cash flow hedging position	**–**	**–**	**–**	**(14)**	**–**	**(14)**	**–**	**(14)**
Share of other comprehensive income of joint ventures and associates	**–**	**–**	**(10)**	**–**	**–**	**(10)**	**–**	**(10)**
Effect of hyperinflationary economies	**–**	**–**	**–**	**–**	**18**	**18**	**–**	**18**
Items that are or may be subsequently reclassified to profit or loss	**–**	**–**	**(357)**	**25**	**18**	**(314)**	**–**	**(314)**
Other comprehensive income	**–**	**–**	**(357)**	**25**	**433**	**101**	**–**	**101**
Total comprehensive income	**–**	**–**	**(357)**	**25**	**911**	**579**	**20**	**599**
Inventory cash flow hedge movements								
Gains transferred to cost of inventory	**–**	**–**	**–**	**25**	**–**	**25**	**–**	**25**
Total inventory cash flow hedge movements	**–**	**–**	**–**	**25**	**–**	**25**	**–**	**25**
Transactions with owners								
Dividends paid to equity shareholders	**–**	**–**	**–**	**–**	**(49)**	**(49)**	**–**	**(49)**
Net movement in own shares held	**–**	**–**	**–**	**–**	**17**	**17**	**–**	**17**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Acquisition and disposal of non-controlling interests	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**(17)**	**(23)**
Total transactions with owners	**–**	**–**	**–**	**–**	**(38)**	**(38)**	**(21)**	**(59)**
Balance as at 18 September 2021	**45**	**175**	**(34)**	**43**	**9,692**	**9,921**	**83**	**10,004**

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 and sweeteners, vegetable oils, balsamic vinegars, bread and baked goods, cereals, ethnic foods, and meat products, which are sold to retail, wholesale and foodservice businesses.

Sugar
The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the Grocery segment.

Agriculture
The manufacture of animal feeds and the provision of other products and services for the agriculture sector.

Ingredients
The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts and cereal specialities.

Retail
Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

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

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

	Revenue		Adjusted operating profit	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Operating segments				
Grocery	**3,593**	3,528	**413**	437
Sugar	**1,650**	1,594	**152**	100
Agriculture	**1,537**	1,395	**44**	43
Ingredients	**1,508**	1,503	**151**	147
Retail	**5,593**	5,895	**321**	362
Central	**–**	–	**(70)**	(63)
	13,881	13,915	**1,011**	1,026
Businesses disposed:				
Grocery	**2**	13	**–**	(1)
Ingredients	**1**	9	**–**	(1)
	13,884	13,937	**1,011**	1,024
Geographical information				
United Kingdom	**4,982**	5,054	**293**	312
Europe & Africa	**4,944**	5,048	**302**	298
The Americas	**1,678**	1,619	**259**	254
Asia Pacific	**2,277**	2,194	**157**	162
	13,881	13,915	**1,011**	1,026
Businesses disposed:				
Asia Pacific	**3**	22	**–**	(2)
	13,884	13,937	**1,011**	1,024

2021

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,594	1,714	1,539	1,687	5,593	(246)	13,881
Internal revenue	(1)	(64)	(2)	(179)	–	246	–
External revenue from continuing businesses	3,593	1,650	1,537	1,508	5,593	–	13,881
Businesses disposed	2	–	–	1	–	–	3
Revenue from external customers	3,595	1,650	1,537	1,509	5,593	–	13,884
Adjusted operating profit before joint ventures and associates	364	149	31	134	321	(70)	929
Share of profit after tax from joint ventures and associates	49	3	13	17	–	–	82
Adjusted operating profit	413	152	44	151	321	(70)	1,011
Profits less losses on disposal of non-current assets	2	1	–	1	–	–	4
Amortisation of non-operating intangibles	(41)	–	(2)	(7)	–	–	(50)
Acquired inventory fair value adjustments	(3)	–	–	–	–	–	(3)
Transaction costs	–	–	–	(2)	–	(1)	(3)
Exceptional items	–	(141)	–	–	(6)	(4)	(151)
Profits less losses on sale and closure of businesses	–	–	–	19	–	1	20
Profit before interest	371	12	42	162	315	(74)	828
Finance income						9	9
Finance expense	(1)	(2)	–	(1)	(80)	(27)	(111)
Other financial income						(1)	(1)
Taxation						(227)	(227)
Profit for the period	370	10	42	161	235	(320)	498
Segment assets (excluding joint ventures and associates)	2,541	1,776	441	1,480	6,919	154	13,311
Investments in joint ventures and associates	53	28	139	118	–	–	338
Segment assets	2,594	1,804	580	1,598	6,919	154	13,649
Cash and cash equivalents						2,275	2,275
Current asset investments						32	32
Income tax						81	81
Deferred tax assets						218	218
Employee benefits assets						640	640
Segment liabilities	(601)	(361)	(151)	(340)	(4,142)	(208)	(5,803)
Loans and overdrafts						(406)	(406)
Income tax						(172)	(172)
Deferred tax liabilities						(363)	(363)
Employee benefits liabilities						(147)	(147)
Net assets	1,993	1,443	429	1,258	2,777	2,104	10,004
Non-current asset additions	113	134	21	118	343	16	745
Depreciation (including depreciation of right-of-use assets)	(110)	(82)	(16)	(56)	(549)	(10)	(823)
Amortisation	(48)	(4)	(3)	(9)	(8)	(2)	(74)
Reversal of impairment of property, plant & equipment and right-of-use assets	–	–	–	10	–	–	10

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)	(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 – geographical information

2021

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

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)

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

	Revenue		Non-current assets	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Australia	**1,209**	1,161	**533**	558
Spain	**1,190**	1,097	**670**	849
United States	**1,098**	1,055	**672**	727

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

2. Exceptional items

2021

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

In our sugar business in Spain we have seen a significant increase in revenues reflecting strong demand and higher prices, although the operating profit margin was impacted by lower volumes from the northern beet crop, as well as a one-off charge from a court arbitration. Our current view for yield and sugar content from beet sugar and our lower estimated margins due to the expected increases in raw refining volumes in the future has resulted in a non-cash exceptional charge of €136m to write down the net asset value of this business. Given the ongoing trading challenges in some of our smaller sugar businesses we have reviewed our forward projections for these units, including the forecast evolution of beet area and yields. As a result, we have made a non-cash adjustment of £21m to the relevant net asset values as an exceptional charge this year.

Our half year results included an inventory charge of £21m in Primark, which related to certain seasonal items already on display in closed stores and which could not be sold before the end of the season. This inventory had been cleared from our stores to allow spring/summer stock to be displayed as stores prepared to reopen, and an exceptional provision of £21m was charged to reflect the write-down of this inventory to net realisable value, which has subsequently been utilised.

The prior year end exceptional items included a £22m markdown provision which was created for potential damage of inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic. In large part, this damage did not arise and £20m of the provision has been released. £5m has been provided for excessive stock of COVID-19 related items.

2020

The prior year included exceptional items of £156m. Impairments of £116m in property, plant and equipment and right-of-use assets at Primark were recognised related to downsizing of a number of stores in the US and Germany. Beet volumes contracted by Azucarera in the second crop year after reducing the beet price paid to farmers, resulted in revised business forecasts and a £23m non-cash write-down of goodwill. A charge of £22m related to a markdown provision in Primark for inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic. A £5m gain was recorded related to the closure of our Speedibake Wakefield factory where the net proceeds received from the insurance claim raised for the factory being destroyed by a fire in February 2020 exceeded the losses recorded earlier in the year.

3. Finance expense

	2021 £m	2020 £m
Bank loans and overdrafts	**(16)**	(29)
All other borrowings	**(10)**	(10)
Lease liabilities	**(84)**	(84)
Other payables	**(1)**	(1)
	(111)	(124)

4. Income tax expense

	2021 £m	2020 £m
Current tax expense		
UK – corporation tax at 19% (2020 – 19%)	**46**	57
Overseas – corporation tax	**208**	203
UK – under provided in prior periods	**9**	3
Overseas – over provided in prior periods	**(9)**	(4)
	254	259
Deferred tax expense		
UK deferred tax	**13**	5
Overseas deferred tax	**(37)**	(53)
UK – (over)/under provided in prior periods	**(3)**	3
Overseas – under provided in prior periods	**–**	7
	(27)	(38)
Total income tax expense in income statement	**227**	221
Reconciliation of effective tax rate		
Profit before taxation	**725**	686
Less share of profit after tax from joint ventures and associates	**(79)**	(57)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**646**	629
Nominal tax charge at UK corporation tax rate of 19% (2020 – 19%)	**123**	120
Effect of higher and lower tax rates on overseas earnings	**33**	18
Effect of changes in tax rates on income statement	**17**	13
Expenses not deductible for tax purposes	**51**	54
Disposal of assets covered by tax exemptions or unrecognised capital losses	**(3)**	1
Deferred tax not recognised	**9**	6
Adjustments in respect of prior periods	**(3)**	9
	227	221
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**144**	(15)
Deferred tax associated with share-based payments	**–**	(1)
Deferred tax associated with movement in cash flow hedging position	**14**	–
Deferred tax associated with movements in foreign exchange	**–**	(1)
	158	(17)

The UK corporation tax rate of 19% is set to increase to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has been calculated accordingly. The effect of this change was a £15m charge to the income statement principally on the amortisation on non-operating intangibles and exceptional items and a £39m charge to other comprehensive income relating to the deferred tax liability on the pension surplus.

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 £26m (2020 – £27m), however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. Following receipt of charging notices from HM Revenue & Customs ('HMRC') during the year, we made payments to HMRC. Receipt of the charging notices marginally changed our assessment of the maximum potential liability but did not change our assessment that no provision is required in respect of this amount. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

5. Dividends

	2021 pence per share	2020 pence per share	**2021 £m**	2020 £m
2019 final	**–**	34.30	**–**	271
2020 interim	**–**	–	**–**	–
2020 final	**–**	–	**–**	–
2021 interim	**6.20**	–	**49**	–
	6.20	34.30	**49**	271

The 2021 interim dividend was declared on 20 April 2021 and was paid on 9 July 2021. As a sign of our confidence in our improved trading we have declared the payment of a special dividend, to be paid as a second interim dividend of 13.8p per share at a cost of £109m.

The Board has proposed a final dividend of 20.5p per share at a cost of £162m which together with the interim dividend of 6.2p per share makes a total of 26.7p per share for the year.

The combined 2021 final and special dividend of 34.3p, with a total value of £271m, will be paid on 14 January 2022 to shareholders on the register on 17 December 2021.

No interim or final dividend was proposed or paid for 2020.

6. Earnings per share

The calculation of basic earnings per share at 18 September 2021 was based on the net profit attributable to equity shareholders of £478m (2020 – £455m), and a weighted average number of shares outstanding during the year of 790 million (2020 – 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 (2020 – 790 million). There is no difference between basic and diluted earnings.

	2021 pence	2020 pence
Adjusted earnings per share	**80.1**	81.1
Disposal of non-current assets	**0.5**	2.3
Sale and closure of businesses	**2.5**	(1.8)
Acquired inventory fair value adjustments	**(0.4)**	(1.9)
Transaction costs	**(0.4)**	(0.3)
Exceptional items	**(19.1)**	(19.7)
Tax effect on above adjustments	**3.0**	4.6
Amortisation of non-operating intangibles	**(6.3)**	(7.5)
Tax credit on non-operating intangibles amortisation and goodwill	**0.6**	0.8
Earnings per ordinary share	**60.5**	57.6

7. Acquisitions and disposals

Acquisitions

2021

In May 2021, the Group's Ingredients business acquired DR Healthcare España, a Spanish enzymes producer. Total consideration for this transaction was £14m, comprising £12m cash consideration and £2m deferred consideration. Net assets acquired included non-operating intangible assets of £19m, which were recognised with their related deferred tax of £5m.

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

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.

Disposals

2021

In the first half of 2021, the Group sold a number of our Chinese yeast and bakery ingredients businesses into a new Chinese joint venture with Wilmar International. These businesses were classified as a disposal group and held for sale at the previous year end. Gross cash consideration was £39m with £5m of cash disposed with the businesses. The joint venture also assumed £11m of debt, resulting in net proceeds of £45m. Net assets disposed were £33m with provisions of £6m for associated restructuring costs and a £6m gain on the recycling of foreign exchange differences. The gain on disposal was £6m.

In August, the Group agreed the sale of a further factory in China to the same joint venture, subject to regulatory approval. These factory assets were fully written down in 2019 when the proposed joint venture with Wilmar was first announced. A non-cash reversal of impairment of £10m has been included in profit on sale and closure of business.

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

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.

8. Analysis of net debt

	At 12 September 2020 £m	Cash flow £m	Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	**At 18 September 2021 £m**
Short-term loans	(65)	10	10	(202)	3	**(244)**
Long-term loans	(318)	18	–	202	22	**(76)**
Lease liabilities	(3,639)	290	–	(100)	168	**(3,281)**
Total liabilities from financing activities	(4,022)	318	10	(100)	193	**(3,601)**
Cash at bank and in hand, cash equivalents and overdrafts	1.909	340	–	–	(60)	**2,189**
Current asset investments	32	2	–	–	(2)	**32**
	(2,081)	660	10	(100)	131	**(1,380)**

	At 14 September 2019 (after IFRS 16 transition) £m	Cash flow £m	Disposals £m	New leases and non-cash items £m	Exchange adjustments £m	At 12 September 2020 £m
Short-term loans	(89)	43	–	(23)	4	(65)
Long-term loans	(348)	2	–	23	5	(318)
Lease liabilities	(3,678)	247	1	(143)	(66)	(3,639)
Total liabilities from financing activities	(4,115)	292	1	(143)	(57)	(4,022)
Cash at bank and in hand, cash equivalents and overdrafts	1,358	557	–	–	(6)	1,909
Current asset investments	29	2	–	–	1	32
	(2,728)	851	1	(143)	(62)	(2,081)

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. £86m (2020 – £89m) of bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Net cash excluding lease liabilities Is £1,901m (2020 – £1,558m).

£86m (2020 – £89m) of bank overdrafts plus the £244m (2020 – £65m) of short-term loans shown above comprise the £330m (2020 – £154m) of current loans and overdrafts shown on the face of the balance sheet.

Current and non-current lease liabilities shown on the face of the balance sheet of £289m and £2,992m respectively (2020 – £297m and £3,342m respectively) comprise the £3,281m (2020 – £3,639m) of lease liabilities shown above.

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

9. Related parties

The Group has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. The Group has a related party relationship with its associates and joint ventures and with its directors. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's length basis.

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

	Sub note	2021 £000	2020 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**895**	1,095
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	**1,570**	9,151
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**300**	3,632
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited		**14**	73
Sales to fellow subsidiary undertakings on normal trading terms	2	**55**	96
Sales to companies with common key management personnel on normal trading terms	3	**14,980**	18,404
Commissions paid to companies with common key management personnel on normal trading terms	3	**–**	557
Amounts due from companies with common key management personnel	3	**1,705**	2,237
Sales to joint ventures on normal trading terms		**44,405**	14,154
Sales to associates on normal trading terms		**46,407**	28,249
Purchases from joint ventures on normal trading terms		**361,287**	323,860
Purchases from associates on normal trading terms		**16,524**	12,863
Amounts due from joint ventures		**35,941**	41,722
Amounts due from associates		**4,033**	3,497
Amounts due to joint ventures		**22,960**	26,745
Amounts due to associates		**1,615**	1,272

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 18 September 2021 was the beneficial owner of 683,073 shares (2020 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2020 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 18 September 2021 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 £32m (2020 – £40m) of finance lease receivables. The remainder of the balance is trading balances. All but £4m (2020 – £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 53 weeks ended 18 September 2021, or the 52 weeks ended 12 September 2020. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts.

11. Basis of preparation

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

The preparation of financial statements under Adopted IFRS requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on experience. Actual results may differ from these estimates.

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

Details of accounting standards which came into force in the year are set out at the end of this note.

The Group's consolidated financial statements are prepared to the Saturday nearest to 15 September. Accordingly, they have been prepared for the 53 weeks ended 18 September 2021 (2020 – 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 to 31 August each year.

Adjustments have been made where appropriate for significant transactions or events occurring between 31 August and 18 September.

12. New accounting policies

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

- Amendments to IFRS 3 *Definition of a Business;*
- Amendments to IAS 1 and IAS 8 *Definition of Material;*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform - Phase 1;* and
- Amendments to *References to the Conceptual Framework in IFRS Standards.*

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

- IFRS 17 *Insurance Contracts* effective 2023 financial year (not yet endorsed by the UKEB);
- 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 UKEB);
- Disclosure of Accounting Policies (*Amendments to IAS 1 and IFRS Practice Statement 2*) effective 2024 financial year (not yet endorsed by the UKEB);
- Amendments to IAS 8 *Definition of Accounting Estimates* effective 2024 financial year (not yet endorsed by the UKEB);
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* effective 2024 financial year (not yet endorsed by the UKEB);
- Amendments to IAS 16 *Property, Plant and Equipment — Proceeds before Intended Use* effective 2023 financial year (not yet endorsed by the UKEB);
- Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract* effective 2023 financial year (not yet endorsed by the UKEB);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS *16 Interest Rate Benchmark Reform - Phase 2* effective 2022 financial year (endorsed by the UKEB). Financial authorities have announced the timing of key interest rate benchmark replacements such as LIBOR in the UK, the US and the EU and other territories expected at the end of 2021, with remaining USD tenors expected to cease in 2023. We are primarily exposed to USD LIBORs that will be available until June 2023; and
- Annual Improvements to IFRS 2018-2020 effective 2023 financial year (not yet endorsed by the UKEB).

13. Alternative performance measures

In reporting financial information, the Board uses various APMs which it believes provide useful additional information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to IFRS measures and are not intended to be a substitute for them. Since IFRS does not define APMs, they may not be directly comparable to similar measures used by other companies.

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

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

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Like-for-like sales	No direct equivalent	The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency in our retail stores adjusted for new stores, closures and relocations. Refits, extensions and downsizes are also adjusted for if a store's retail square footage changes by 10% or more. For each change described above, a store's sales are excluded from like-for-like sales for one year. No adjustments are made for disruption during refits, extensions or downsizes, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each year.	Consistent with the definition given
Two year like-for-like sales	No direct equivalent	The like-for-like sales metric expressed over two years enables measurement of the performance of our retail stores compared to our experience in 2019, which was before any of the economic effects of COVID-19. It is calculated as described above for like-for-like sales, but with 2019 data as the comparator.	Consistent with the definition given
Adjusted operating (profit) margin	No direct equivalent	Adjusted operating (profit) margin is adjusted operating profit as a percentage of revenue.	See note A
Adjusted operating profit	Operating profit	Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets and exceptional items. Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted operating profit.	A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1 of the financial statements
Adjusted operating profit before repayment of job retention scheme monies	See adjusted operating profit (non-IFRS) measure	Adjusted operating profit before repayment of job retention scheme monies is adjusted operating profit adjusted for repayment of job retention scheme monies.	See note A
Adjusted profit before tax	Profit before tax	Adjusted profit before tax is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses. Items defined above which arise in the group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted profit before tax.	A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1 of the financial statements
Adjusted earnings and adjusted earnings per share	Earnings and earnings per share	Adjusted earnings and adjusted earnings per share are stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses together with the related tax effect. Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted earnings and adjusted earnings per share.	Reconciliations of these measures are provided in note 7 of the financial statements
Exceptional items	No direct equivalent	Exceptional items are items of income and expenditure which are material and unusual in nature and are considered of such significance that they require separate disclosure on the face of the income statement.	Exceptional items are included on the face of the consolidated income statement with further

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Exceptional items (continued)			detail provided in note 2 of the financial statements
Constant currency	Revenue and see adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year 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.	See note B
Effective tax rate	Income tax expense	The effective tax rate is the tax charge for the year expressed as a percentage of profit before tax.	Whilst the effective tax rate is not disclosed, a reconciliation of the tax charge on profit before tax at the UK corporation tax rate to the actual tax charge is provided in note 5 of the financial statements
Adjusted effective tax rate	No direct equivalent	The adjusted effective tax rate is the tax charge for the year excluding tax on adjusting items expressed as a percentage of adjusted profit before tax.	The tax impact of reconciling items between profit before tax and adjusted profit before tax is shown in note 7 of the financial statements
Dividend cover	No direct equivalent	Dividend cover is the ratio of adjusted earnings per share to dividends per share relating to the year.	See note C
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.	See note D
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 as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings purchased from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	See note E
Net cash/debt before lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is shown in note 25 of the financial statements
Net cash/debt including lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments, loans and lease liabilities.	A reconciliation of this measure is shown in note 25 of the financial statements
Adjusted EBITDA	See Adjusted operating profit (non-IFRS) measure	Adjusted EBITDA is stated before depreciation, amortisation and impairment charged to adjusted operating profit.	See note F
Financial leverage ratio	No direct equivalent	Financial leverage is the ratio of net cash/debt including lease liabilities to adjusted EBITDA	See note F
(Average) capital employed	No direct equivalent	Capital employed is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of capital employed are calculated in accordance with Adopted IFRS. Average capital employed for each segment and the Group is calculated by averaging the capital employed for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
Return on (average) capital employed	No direct equivalent	The return on (average) capital employed measure divides adjusted operating profit by average capital employed.	Consistent with the definition given
(Average) working capital	No direct equivalent	Working capital is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of working capital are calculated in accordance with Adopted IFRS.	Consistent with the definition given

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
(Average) working capital (continued)		Average working capital for each segment and the Group is calculated by averaging the working capital for each period of the financial year based on the reporting calendar of each business.	
(Average) working capital as a percentage of revenue	No direct equivalent	This measure expresses (average) working capital as a percentage of revenue.	Consistent with the definition given

Note A

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2021							
External revenue from continuing businesses	**3,593**	**1,650**	**1,537**	**1,508**	**5,593**	**3**	**13,884**
Adjusted operating profit	**413**	**152**	**44**	**151**	**321**	**(70)**	**1,011**
Repayment of job retention scheme monies	**–**	**–**	**–**	**–**	**94**	**–**	**94**
Adjusted operating profit before repayment of job retention scheme monies	**413**	**152**	**44**	**151**	**415**	**(70)**	**1,105**
Adjusted operating margin %	**11.5%**	**9.2%**	**2.9%**	**10.0%**	**5.7%**		**7.3%**
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
Adjusted operating margin %	12.4%	6.3%	3.1%	9.8%	6.1%		7.3%

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Disposed businesses £m	Total £m
2021							
External revenue from continuing businesses at actual rates	**3,593**	**1,650**	**1,537**	**1,508**	**5,593**	**3**	**13,884**
2020							
External revenue from continuing businesses at actual rates	3,528	1,594	1,395	1,503	5,895	22	13,937
Impact of foreign exchange	(29)	(70)	(8)	(49)	(14)	1	(169)
External revenue from continuing businesses at constant currency	3,499	1,524	1,387	1,454	5,881	23	13,768
% change at constant currency	+3%	+8%	+11%	+4%	-5%		+1%

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2021							
Adjusted operating profit at actual rates	**413**	**152**	**44**	**151**	**321**	**(70)**	**1,011**
2020							
Adjusted operating profit at actual rates	437	100	43	147	362	(65)	1,024
Impact of foreign exchange	(16)	(13)	(2)	(7)	–	2	(36)
Adjusted operating profit at constant currency	421	87	41	140	362	(63)	988
% change at constant currency	-2%	+75%	+7%	+8%	-11%		+2%

Note C

	2021 £m	2020 £m
Adjusted earnings per share (pence)	**80.1**	81.10
Dividends relating to the year (pence) – excluding special dividend proposed	**26.7**	–
Dividend cover	**3.00**	n/a

Note D

From the cash flow statement	2021 £m	2020 £m
Purchase of property, plant and equipment	**551**	561
Purchase of intangibles	**76**	61
	627	622

Note E

From the cash flow statement	2021 £m	2020 £m
Purchase of property, plant and equipment	551	561
Purchase of intangibles	76	61
Purchase of subsidiaries, joint ventures and associates	57	16
Purchase of shares in subsidiary undertaking from non-controlling interests	23	2
Purchase of other investments	14	1
	721	641

Note F

	2021 £m	2020 £m	2019 (IFRS 16 pro forma basis) £m
Adjusted operating profit	**1,011**	1,024	1,482
Charged to adjusted operating profit:			
Depreciation of property, plant and equipment	**535**	538	544
Amortisation of operating intangibles	**26**	33	23
Depreciation of right-of-use assets and non-cash lease adjustments	**288**	289	281
Impairment of property, plant and equipment and right-of-use assets	**–**	15	–
Adjusted EBITDA	**1,860**	1,899	2,330
Net debt including lease liabilities	**(1,380)**	(2,081)	(2,728)
Financial leverage ratio	**0.7**	1.1	1.2