Financial review

Group performance

Group revenue was £20.1bn, 4% ahead of last year at constant currency, with sales growth in Retail and most of the food businesses. The Group generated an adjusted operating profit of £1,998m, an increase of 32% at actual exchange rates ahead of last year, reflecting a strong margin recovery across the Group as a result of input cost pressures easing. Group adjusted operating profit margin improved from 7.7% last year to 10.0%. Operating profit for the Group of £1,932m was 40% ahead, after charging exceptional items of £35m (2023 – £109m).

For the full year the average rates used to translate the income statement resulted in an adverse translation movement compared to the prior year of £97m, primarily driven by the strengthening of sterling against the US dollar and the euro, as well as against some of our trading currencies in our business in Africa.

Free cash flow of £1,355m increased significantly on last year, an increase of £1,086m.

Segmental summary

The segmental analysis by division is set out in the operating reviews. The segmental analysis by geography is set out in note 1 in the notes to the financial statements.

	Revenue			Adjusted operating profit		
At actual rates	**2024 £m**	2023 £m	Change %	**2024 £m**	2023 £m	Change %
Retail	**9,448**	9,008	+4.9	**1,108**	735	+50.7
Grocery	**4,242**	4,198	+1.0	**511**	448	+14.1
Ingredients	**2,134**	2,157	-1.1	**233**	214	+8.9
Sugar	**2,529**	2,474	+2.2	**199**	179	+11.2
Agriculture	**1,650**	1,840	-10.3	**41**	41	–
Central	**–**	–	–	**(100)**	(94)	-6.4
	20,003	19,677	+1.7	**1,992**	1,523	+30.8
Business disposed						
Sugar	**70**	73		**6**	(10)	
	20,073	19,750	+1.6	**1,998**	1,513	+32.1

Adjusted earnings per share

	2024 £m	2023 £m	Change %
Adjusted operating profit	**1,998**	1,513	+32.1
Finance income	**71**	48	
Finance expense	**(33)**	(37)	
Lease interest expense	**(102)**	(91)	
Other financial income	**23**	40	
Adjusted profit before taxation	**1,957**	1,473	+32.9
Taxation on adjusted profit	**(453)**	(346)	
Adjusted profit after tax	**1,504**	1,127	+33.5
Adjusted earnings attributable to equity shareholders	**1,479**	1,103	+34.1
Adjusted earnings per share (in pence)	**196.9 p**	141.8 p	+38.9

Interest and other financial income

Finance income increased in the year as a result of higher rates of interest earned on our cash and investments. Finance expense reduced as a result of the repayment of our final $100m Private Placement notes in early April while lease interest expense increased driven in part by our continued store expansion programme in Retail. Other financial income was lower primarily due to foreign exchange losses caused by the devaluation of certain African currencies on non-local currency liabilities.

As a result of the above, on an adjusted basis, profit before tax was up 32.9%, to £1,957m.

Taxation

This year's tax charge on the adjusted profit before tax was £453m, with a reduction in the adjusted effective tax rate to 23.1% from 23.5% last year. The adjusted effective tax rate included the full year impact of the increase in UK corporation tax from 19% to 25% from April 2023 but this was more than offset by the changes to the mix in profits by jurisdiction.

Our current expectation is for the Group's effective tax rate in 2025 to be broadly in line with 2024. This assumes that the limited upward pressure on the rate arising from the introduction of Pillar 2 will be offset by several smaller movements.

Adjusted earnings per share increased by 38.9% to a record 196.9p per share. This increase reflects the higher adjusted profit as well as as a benefit from the reduction in the weighted average number of shares, from 778 million for 2023 to 751 million for 2024, as a result of share buyback programmes executed in the year.

Basic earnings per share

	2024 £m	2023 £m	Change %
Adjusted profit before tax	**1,957**	1,473	+32.9
Acquired inventory fair value adjustments	**(2)**	(3)	
Amortisation of non-intangibles	**(40)**	(41)	
Exceptional items	**(35)**	(109)	
Profits less losses on sale and closure of businesses	**26**	(3)	
Profits less losses on disposal of non-current assets	**16**	28	
Transaction costs	**(5)**	(5)	
Profit before tax	**1,917**	1,340	+43.1
Taxation	**(437)**	(272)	
Profit after tax	**1,480**	1,068	+38.6
Earnings attributable to equity shareholders	**1,455**	1,044	+39.4
Basic earnings per share (in pence)	**193.7 p**	134.2 p	+44.3

Exceptional items

	2024 £m	2023 £m
Grocery - impairment	**–**	41
Sugar - impairments	**24**	50
Retail - impairments, right-sizing and fair value write-downs	**11**	18
	35	109

The income statement this year included a non-cash exceptional impairment charge of £35m.

In the Sugar segment, Vivergo recognised a £18m impairment write-down against assets driven by the volatility of bio-ethanol prices impacting trading margins. Due to the severe flooding in Mozambique last year, the related damage to the sugar crop fields and the inability to plant for the foreseeable future, our sugar business in Mozambique recognised a further £6m impairment write-down against assets.

In the Retail segment, the Group recognised £11m of exceptional impairment charges relating to the German stores impaired in 2022, after additional right-of-use assets were recognised due to rent indexation adjustments in the current financial year.

The prior year exceptional impairment charge of £109m comprised non-cash write-downs of assets specifically £41m for the Don businesses in the Grocery segment, £50m for the Sugar segment including £15m for China North Sugar and £35m for Mozambique and £18m for the Retail segment relating to rent indexation in the German Primark store portfolio.

Profit less losses on sale and closure of businesses of £26m predominantly includes the profit on our sale of our China North Sugar business. Profit less losses on disposal of non-current assets of £16m includes profit on sale of our non-operating investment property portfolio in our Central division for properties in the UK and Australia. The prior year profit of £28m also relates to the sale of other non-operating investment properties in Central mostly in Australia and also included a large property sale in the UK for our Grocery Segment.

Profit before tax of £1,917m was 43.1% ahead of last year, benefitting from the lower level of exceptional items in 2024.

Total tax charge for the year of £437m benefitted from a credit of £16m (2023 – £74m) for tax relief on the amortisation of non-operating intangible assets, the amortisation of acquired inventory fair value adjustments, the profits on disposal of non-current assets, the profits on disposal of businesses and on the exceptional items.

Earnings attributable to equity shareholders were £1,455m and basic earnings per share were 193.7p, 44% ahead of last year, also benefitting from the lower level of shares.

Cash flow

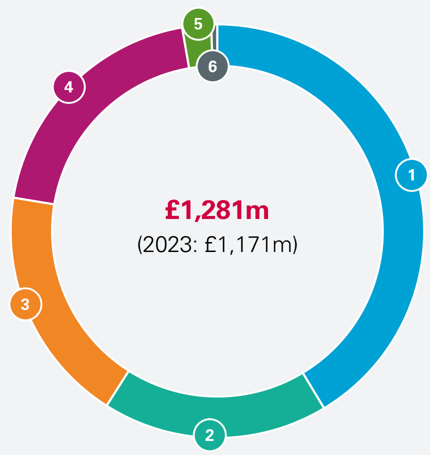
	2024 £m	2023 £m
Adjusted EBITDA	**2,910**	2,361
Repayment of lease liabilities net of incentives received	**(308)**	(246)
Working capital	**305**	(216)
Capital expenditure	**(1,184)**	(1,073)
Purchase of subsidiaries, joint ventures and associates	**(93)**	(94)
Sale of subsidiaries, joint ventures and associates	**24**	4
Net interest paid	**(69)**	(74)
Taxation	**(340)**	(341)
Share of adjusted profit after tax from joint ventures and associates	**(120)**	(127)
Dividends received from joint ventures and associates	**105**	107
Other	**125**	(32)
Free cash flow	**1,355**	269
Share buyback	**(562)**	(448)
Dividends	**(502)**	(345)
Movement in loans and current asset investments	**(318)**	(10)
Cash flow	**(27)**	(534)

There was a record free cash inflow in the year totalling £1,355m as a result of a combination of record operating profit generated by the Group, and the normalisation of working capital.

Working capital inflows during the current financial year were driven by a number of factors including the normalisation of inventory at Primark as expected, stock reductions in most of our food businesses, reducing inflation overall and various other working capital initiatives.

The capital expenditure increase this year continues from the step up in investment last year following low levels in the prior years. This is driven by the continuation of a number of large capital projects. The increase of the investment in our food businesses primarily relates to projects to build capacity. In Primark the increase reflects the acceleration of our new store programme and expenditure to expand our capabilities in warehouse automation and technology. We expect this higher level of investment to continue in the medium term.

2024 gross investment



1 Retail: £530m
2 Grocery: £226m
3 Ingredients: £238m
4 Sugar: £252m
5 Agriculture: £29m
6 Central: £6m

The spend on acquisitions this financial year was £93m. The most significant of these were the acquisition of The Artisanal Group ('TAG') in Australia in our Grocery segment, acquisitions in our Ingredients segment of Mapo, Romix and Omega Yeast and the acquisition of our remaining holding of the Roal business in which we previously had a 50% stake.

We disposed of our China North Sugar business.

Cash tax was broadly similar to last year, notwithstanding the significant increase in profit, because of the reallocation of historic overpayments arising from favourable settlements of historical enquiries and returns. We expect this impact to continue in 2025 and overall are expecting a slightly reduced level of cash tax due to the anticipated receipt of the state aid refund.

In Other cash flow, we have seen the benefit of the UK pension fund abatement of £64m (£38m for the defined contribution scheme and £26m for the defined benefit scheme) and an increase in non-cash provisions predominantly as a result of the onerous contract provisions recognised in our Sugar segment.

Below free cash flow, there was cash outflow of £562m from our share buyback programmes, £56m related to the first £500m share buyback early in the financial year, the completion of the second £500m share buyback programme. We also paid £502m for total dividends in this financial year, which reflects the 2023 final and special dividend and interim 2024 dividend. Cash deposits placed with a greater than 90-day term resulted in an increase in current asset investments in the year.

Financing and liquidity

	2024 £m	2023 £m
Short-term loans	**(71)**	(99)
Long-term loans	**(454)**	(394)
Lease liabilities	**(3,065)**	(3,160)
Total debt	**(3,590)**	(3,653)
Cash, cash equivalents and overdrafts	**1,235**	1,388
Current asset investments	**334**	–
Total net debt	**(2,021)**	(2,265)
Leverage ratio	**0.7x**	1.0x

Total short and long term loans of £525m at the year end increased by £32m compared to £493m last year, with our final $100m (£81m) Private Placement notes being repaid in April 2024. This was offset by increased borrowing in our Sugar businesses in Africa, to primarily fund expansion in Tanzania.

Cash, cash equivalents and current asset investments of £1,569m increased by £181m compared to last year, reflecting our positive cash flow. £334m of this is classified as current asset investments, with cash deposits with maturities between three and six months placed to diversify our cash investments and lock in favourable interest rates. Net cash before lease liabilities of £1,044m increased by £149m year-on-year.

Total Liquidity of £2.9bn was £0.2bn higher than last year. Total Liquidity comprises cash, cash equivalents and current asset investments of £1.7bn less non-qualifying borrowings of £0.2bn and inaccessible cash of £0.1bn, plus the £1.5bn committed revolving credit facility ('RCF'), which is free of financial performance covenants. The RCF was extended in the year, taking the final maturity to June 2029.

Lease liabilities reduced by £95m year-on-year as a result of the capital repayment element of the leases and favourable exchange rate movements more than offsetting the impact of new space and lease renewals.

Total net debt reduced by £244m in 2024 to £2,021m at the year end. A combination of higher Adjusted EBITDA and lower Total net debt resulted in a lower Leverage ratio of 0.7x at the year end, compared to 1.0x in 2023.

Pensions

The Group's defined benefit pension schemes aggregate surplus increased by 4% to £1,432m at year end compared to last year's £1,377m. The UK scheme, which accounts for around 90% of the Group's gross pension assets was in surplus by £1,454m (2023 – £1,397m. The most recent triennial actuarial valuation of the UK scheme was carried out as of 5 April 2023. This last valuation showed a funding surplus of £1,013m . Details of the assumptions made in the current and previous year are disclosed in note 13 of the financial statements together with the bases on which those assumptions have been made.

The charge for the year for the Group's defined contribution schemes amounted to £103m (2023 – £95m). This compared with the cash contribution to the defined benefit schemes of £9m (2023 – £36m), the decrease driven by the benefit of the abatement on the UK pension fund.

As agreed with the trustees last year and reconfirmed this year, as a result of this significant increase in the surplus in the UK scheme, the Group will continue to receive a cash flow benefit per year from the abatement of UK employer pension contributions on both the defined benefit and defined contribution schemes, the latter approximately £35m.

Dividend and shareholder returns

Our capital allocation policy is for the Group's financial leverage, expressed as the ratio of Total net debt to Adjusted EBITDA, to be well under 1.5 times whilst financial leverage consistently below 1.0 times may indicate a surplus capital position. Surplus capital may be returned to shareholders by special dividends or share buybacks, subject to the Board's discretion.

In November 2023 we announced our second share buyback programme of £500m, which was completed in August 2024.

At the end of the financial year we had 744 million ordinary shares in issue. The weighted average number of shares for the year was 751 million, which compared to 778 million for the prior financial year. This year's share buyback has had a positive impact on our reported adjusted earnings per share of 6.7p, calculated on a simplified basis.

At the end of the financial year 2024, our financial leverage ratio was 0.7x In September 2024, we extended the buyback programme by £100m. This has now been completed. The Group continues to prioritise investment in its businesses. Nevertheless, given the outlook for the Group, the strength of the balance sheet and the underlying cash generation of the business, the Board has decided to continue to return additional capital to shareholders. Therefore, the Group will continue with a buyback programme, targeting an additional amount of £500m over the next 12 months.

In addition, the Group is declaring a special dividend of 27.0p per share. The Board is proposing a final dividend of 42.3p per share, which together with the special dividend will be paid on 10 January 2025 to shareholders on the register on 13 December 2024. Taken with the interim dividend of 20.7p per share, the total dividend equates to 90.0p per share, an increase of 50% on the total dividend of 60.0p in the financial year 2023.

Eoin Tonge
Finance Director