Chairman's introduction

Michael McLintock
Chairman

We continue to adopt an approach of strong governance with a focus on ethics. In this Corporate Governance Report we provide an update on our activities during the year.

Dear fellow shareholders

I am pleased to present the Associated British Foods plc Corporate Governance Report for the year ended 18 September 2021.

Your Company has a clear sense of social purpose, existing to provide safe, nutritious and affordable food, and clothing that is great value for money, to millions of customers worldwide. With this clear sense of purpose also come high standards of integrity, with a recognition that acting responsibly is the only way to build and manage a business over the long term. The belief that businesses do well when they act well is ingrained in the Group and management are encouraged to take a long-term view and to invest in the future.

From a strategic perspective, we consider that our devolved decision-making model empowers senior management of the businesses. They are the people closest to the risks and opportunities, as well as closest to those businesses' stakeholders, and therefore in the best position to make the right judgements to mitigate those risks, exploit the opportunities and take stakeholder views into account. The senior management of the businesses are supported with resources and expertise from across the Group. The Board is kept informed and engaged through regular updates to the executive directors by senior management and through the annual updates to the full Board, which gives opportunities to provide challenge. We believe that this approach better contributes to strategy than a top-down approach, particularly in a Group as diverse as ours.

We were delighted to welcome Dame Heather Rabbatts to join as our newest member of the Board in March 2021. Dame Heather also joined the Audit and Remuneration Committees. Succession planning, both at Board level and executive level, has continued to be firmly on the agenda and this will continue to be the case in the coming years. I am also happy to say that the Board meets the recommendations of both the Parker Review and the Hampton-Alexander Review, with diversity and inclusion having been identified in previous Board evaluations as an area of focus.

The Company takes its compliance with the 2018 UK Corporate Governance Code (the '2018 Code') seriously. As noted in further detail in last year's annual report, an external evaluation of the Board was due to be carried out in 2020 but had to be postponed as a result of the pandemic. I am glad to say that, despite the ongoing uncertainty caused by the pandemic, it was possible for the external evaluation to take place in the course of the 2020/21 financial year and further details on this are given below.

In respect of the 2018 Code provision relating to alignment of executive director pension contributions with the workforce, an explanation of our progress to date and our plans towards bringing the Company into line with the 2018 Code is set out on pages 118, 120 and 123 of the Directors' Remuneration Report.

The Board meets the recommendations of both the Parker Review and the Hampton-Alexander Review, with diversity and inclusion having been identified in previous Board evaluations as an area of focus.

This year we held our first ESG investor days in response to increasing requests from investors to understand more about what we do as a Group in respect of ESG matters. The feedback received on these has been very positive.

Richard Reid, our designated Non-Executive Director for engagement with the workforce, has continued to lead our journey on workforce engagement. Further details on this are provided in Richard's letter on page 102. Richard's activities, and the business divisions' updates to the Board on workforce engagement, are a key way that we assess and monitor culture. Our new and updated Speak Up Policy and procedures were rolled out in September 2021. Further details are provided on page 84 and these are another way by which we can continue better to assess and monitor culture.

As you will recall, in light of the pandemic, the 2020 annual general meeting ('AGM') was held as a closed meeting for which general attendance was not permitted in order to protect the health, safety and wellbeing of everyone. We hope this year to have some return to normality and plan to hold a physical AGM but will also stream the event online for those shareholders who do not feel comfortable attending in person. Should you not be able to attend the 2021 AGM in person, with your proxy form you will have received details of how to follow proceedings at the 2021 AGM through an internet stream and how to vote by proxy in advance of the meeting. Details are also provided of how you can put any questions to the Board in advance of the meeting if you are not able to attend in person on the day.

It has been another year where our sound ethical foundations and strong culture have continued to stand us in good stead. Our four values, namely respecting everyone's dignity, acting with integrity, progressing through collaboration, and delivering with rigour are illustrated through the various case studies in this annual report, through our Section 172 Statement on pages 65 to 71 and through the Responsibility section at pages 72 to 85. Further examples can be found in our 2021 Responsibility Update and in our ESG Insights, which are available on the Company's website at www.abf.co.uk/responsibility.

Michael McLintock
Chairman

Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the 2018 Code. The 2018 Code sets out standards of good practice in relation to: (i) board leadership and company purpose; (ii) division of responsibilities; (iii) board composition, succession and evaluation; (iv) audit, risk and internal control; and (v) remuneration. The 2018 Code is published by the UK Financial Reporting Council ('FRC') and a copy is available from the FRC website: www.frc.org.uk.

The Board considers that the Company has, throughout the year ended 18 September 2021, applied the principles and complied with the provisions set out in the 2018 Code except provision 38 in relation to alignment of executive director pension contributions with the workforce. In this regard, please see the explanation on pages 118, 120 and 123 of the Directors' Remuneration Report, which explains our progress to date and our plans towards bringing the Company in line with the 2018 Code in this respect.

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

Board leadership and Company purpose

→ See pages 96 to 103

Chairman's introduction

→ See pages 96 to 97

Leadership, values, culture and purpose

→ See pages 18 to 19; 72 to 73; 100 to 101

Strategy

→ See pages 18 to 21; 100

Stakeholder and shareholder engagement

→ See pages 65 to 71; 72 to 85; 101 to 103; 105

Division of responsibilities

→ See pages 104 to 105

Commitment, development and information flow

→ See pages 104 to 105

Composition, succession and evaluation

→ See page 106

Board evaluation

→ See page 106

Nomination Committee Report

→ See pages 107 to 108

Audit, risk and internal control

→ See pages 109 to 116

Risks, viability and going concern

→ See pages 88 to 95; 110

Audit Committee Report

→ See pages 111 to 116

Remuneration

Directors' Remuneration Report

→ See pages 117 to 135

Board of Directors

1. Michael McLintock N R

Chairman

Michael was appointed a director in November 2017 and Chairman in April 2018. He was formerly Chief Executive of M&G, retiring in 2016, having joined the company in 1992 and been appointed Chief Executive in 1997. In 1999 he oversaw the sale of M&G to Prudential plc where he served as an Executive Director from 2000 until 2016. Previously he held roles in investment management at Morgan Grenfell and in corporate finance at Morgan Grenfell and Barings.

Other appointments:
- Trustee of the Grosvenor Estate
- Non-Executive Chairman of Grosvenor Group Limited
- Chairman of The Investor Forum CIC
- Member of the advisory board of Bestport Private Equity Limited
- Member of the Takeover Appeal Board

2. George Weston

Chief Executive

George was appointed to the Board in 1999 and took up his current appointment as Chief Executive in April 2005. In his former roles at Associated British Foods, he was Managing Director of Westmill Foods, Allied Bakeries and George Weston Foods Limited (Australia).

Other appointments:
- Non-Executive Director of Wittington Investments Limited
- Trustee of the Garfield Weston Foundation
- Trustee of the British Museum

3. John Bason

Finance Director

John was appointed as Finance Director in May 1999. He has extensive international business experience and an in-depth knowledge of both the food and retail industries. He was previously the Finance Director of Bunzl plc and is a member of the Institute of Chartered Accountants in England and Wales.

Other appointments:
- Non-Executive Director of Compass Group PLC
- Chairman of FareShare

4. Ruth Cairnie N A R

Independent Non-Executive Director

Ruth was appointed a director in May 2014 and has been Senior Independent Director since 7 December 2018. Ruth was formerly Executive Vice President Strategy & Planning at Royal Dutch Shell plc. This role followed a number of senior international roles within Shell, including Vice President of its Global Commercial Fuels business. Ruth has also held a number of non-executive directorships including on the boards of Keller Group plc, ContourGlobal plc and Rolls-Royce Holdings plc.

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

5. Emma Adamo

Non-Executive Director

Emma was appointed a director in December 2011. She was educated at Stanford University and has an MBA from INSEAD. She has served as a director/trustee on a number of non-profit and Foundation boards in the UK and Canada.

Other appointments:
- Director of Wittington Investments Limited
- Director of Wittington Investments, Limited (Canada)
- Chair of the Weston Family Foundation

6. Graham Allan N A R

Independent Non-Executive Director

Graham was appointed a director in September 2018. Graham was formerly the Group Chief Executive of Dairy Farm International Holdings Limited, a pan-Asian retailer. Prior to joining Dairy Farm, he was President and Chief Executive Officer at Yum! Restaurants International. Graham has previously held various senior positions in multinational food and beverage companies.

Other appointments:

- Senior Independent Director of Intertek Group plc
- Non-Executive Director of InterContinental Hotels Group PLC
- Non-Executive Chairman of Bata International
- Board member of Kuwait Food Company Americana KSCC
- Director of IKANO Pte Ltd
- Strategic Advisor to Nando's Group Holdings Limited

7. Wolfhart Hauser N A R

Independent Non-Executive Director

Wolfhart was appointed a director in January 2015. Starting his career with various research activities, he went on to establish and lead a broad range of successful international service industry businesses. He was Chief Executive of Intertek Group plc for 10 years until he retired from that role and the board in May 2015. He was previously Chief Executive Officer and President of TÜV Süddeutschland AG for four years and Chief Executive Officer of TÜV Product Services for 10 years. He has also held other directorship roles, including as a Non-Executive Director of Logica plc from 2007 to 2012 and Chair of FirstGroup plc for four years from 2015 to July 2019.

Other appointments:

- Senior Independent Director of RELX PLC

8. Dame Heather Rabbatts A R

Independent Non-Executive Director

Dame Heather Rabbatts was appointed a director on 1 March 2021. Heather has held a number of executive and non-executive roles including in local government, infrastructure, media and sports. She has previously been a Non-Executive Director of Grosvenor Britain & Ireland and was the first woman on the Board of the Football Association in over 150 years. She continues to work in film and sports.

Other appointments:

- Non-Executive Director of Kier Group plc
- Chair of Soho Theatre
- Chair of Four Communications

9. Richard Reid N A R

Independent Non-Executive Director

Richard was appointed a director in April 2016. He was formerly a partner at KPMG LLP ('KPMG'), having joined the firm in 1980. From 2008, Richard served as London Chairman at KPMG until he retired from that role and KPMG in September 2015. Previously, Richard was KPMG's UK Chairman of the High Growth Markets group and Chairman of the firm's Consumer and Industrial Markets group.

Other appointments:

- Chairman of National Heart and Lung Foundation
- Deputy Chairman of Berry Bros & Rudd
- Senior Advisor to Bank of China UK
- Chairman of Themis International Services Limited

Key to Board Committees

N Nomination Committee

A Audit Committee

R Remuneration Committee

Committee Chair

Board leadership and company purpose

The Board

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success. This includes setting the Company's purpose, which is described in the Strategic report. The Board met regularly throughout the year, either in person or virtually, to approve the Group's strategic objectives, to lead the Group within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the Board's approval. These are set out in a clearly defined schedule which is available to view on the corporate governance section of the Company's website: www.abf.co.uk.

Certain specific responsibilities are delegated to the Board Committees, being the Nomination, Audit and Remuneration Committees, which operate within clearly defined terms of reference and report regularly to the Board. Membership of these Committees is reviewed annually. Minutes of Committee meetings are made available to all directors on a timely basis. For further details, please see the Reports of each of these Committees below.

Purpose, business model and strategy

The purpose of the Company is to provide safe, nutritious and affordable food, and clothing that is great value for money. A description of the Company's business model for sustainable growth in support of this purpose is set out in the Group business model and strategy section on pages 18 to 19 and in the business strategy sections of the operating review on pages 24, 34, 42, 48 and 54. These sections provide an explanation of the basis on which the Group generates value and preserves it over the long term and its strategy for delivering its objectives.

The work of the Board during the year

During the financial year, key activities of the Board included:

Strategy

- conducting regular strategy update sessions in Board meetings;
- holding a two-day meeting focused on strategy; and
- receiving a strategy update from the Chief Executive and Director of Business Development.

Acquisitions/disposals/projects

- considering and approving various projects including the reopening of our Vivergo bioethanol facility in Hull and the expansion of our sugar operations in Tanzania; and
- receiving regular updates on proposed acquisitions and disposals.

Financial and operational performance

- receiving regular reports to the Board from the Chief Executive;
- receiving, on a rolling basis, senior management presentations from each of the Group business segments;
- considering the Group budget for the 2021/22 financial year;
- approving the Company's full year and interim results;
- deciding to repay various job retention scheme payments received in the UK and elsewhere;
- deciding not to recommend a 2020 final dividend and deciding to pay an interim dividend in July 2021;
- receiving regular reports to the Board from the Finance Director on Group cash flow and the impact of COVID-19;
- approving a financial leverage policy for the Group; and
- approving banking mandate updates and various other treasury-related matters.

Governance and risk

- annual review of the material financial and non-financial risks facing the Group's businesses;
- receiving regular updates on corporate governance and regulatory matters;
- deciding to update the Articles of Association of the Company for approval by shareholders at the 2020 AGM;
- participation in, as well as review and discussion of, recommendations from the external Board evaluation;
- receiving reports from the Board Committee Chairs;
- confirming directors' independence and conflicts of interest;
- reviewing and approving gender pay reporting and the Modern Slavery and Human Trafficking Statement; and
- undertaking appropriate preparations for the holding of the AGM including considering and approving an 'outlook' statement and, subsequently, discussing any issues arising from the AGM.

Corporate responsibility

- supporting the enhanced reporting activity on ESG matters;
- receiving regular management reports as well as annual presentations on health and safety and on environmental issues; and
- receiving updates on Primark ethical sourcing and the Primark Cares initiative.

Investor relations and other stakeholder engagement

- receiving reports on investor relations activities and regular feedback on directors' meetings held with institutional investors; and
- receiving a presentation on safety measures for employees and customers throughout Primark stores in response to COVID-19 and on supplier feedback.

People

- appointment of Dame Heather Rabbatts to the Board and to the Audit and Remuneration Committees;
- Richard Reid, Independent Non-Executive Director for engagement with the workforce, meeting and speaking (face-to-face or virtually) with people from across the businesses for onward reporting to the Board – see further details on page 102; and
- receiving and considering presentations on succession planning and talent management from the Chief People and Performance Officer.

Culture and values

Our values (respecting everyone's dignity, acting with integrity, progressing through collaboration, and delivering with rigour) and culture essentially centre around doing the right thing. Our devolved decision-making model empowers the people closest to risks to make the right judgements to mitigate those risks and to find opportunities, but importantly with encouragement, engagement and support from the centre. That support can take the form of resources and expertise or it can be provided through challenge. We believe the route to enduring value creation lies in our focus on building objectives from the bottom up rather than from the top down.

Culture is monitored by the Board through a number of different methods. Richard Reid's work on workforce engagement (described in more detail on page 102), with the support of the Chief People and Performance Officer, is a key method. This is supported by business presentations by senior management of each business division to the Board (which will include sections on health and safety and on the businesses' own workforce engagement work, including reporting on health and wellbeing initiatives, and results and actions arising from people surveys). In addition, there are site visits and other engagement events attended by the directors, further details of which can be found on page 105.

The Board has also recently approved changes to the Whistleblowing Policy and processes with the introduction of a new Speak Up Policy and processes. The Speak Up Policy and processes (and the Whistleblowing Policy and processes it replaces) help to ensure that workforce policies and practices are consistent with the Company's values and that they support the long-term success of the Company by providing an easy way for the workforce to raise any matters of concern.

Whistleblowing

The Group's new Speak Up Policy, updating the existing Whistleblowing Policy, contains arrangements for an independent external service provider to receive, in confidence (where legally permitted), reports of any inappropriate, improper, dishonest, illegal or dangerous behaviour for reporting to the Audit Committee as appropriate. The Audit Committee reviews reports from internal audit and the actions arising therefrom and reports on these to the Board.

The Audit Committee reports to the full Board on the analysis of reported allegations which is compiled by the Director of Financial Control. Arrangements are in place for proportionate and independent investigations of allegations and for follow-up action. Further details of the Speak Up Policy and processes in place, as well as information on the status of notifications received under the previous Whistleblowing Policy in the year to June 2021 are provided on page 84.

Conflicts of interest procedure

The Company has procedures in place to deal with the situation where a director has a conflict of interest. As part of this process, the Board:

- considers each conflict situation separately on its particular facts;
- considers the conflict situation in conjunction with the rest of the conflicted director's duties under the Companies Act 2006;
- keeps records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

Engagement with stakeholders

Our scale, employing 128,000 people and with operations in 53 countries across the world, means that our activities matter to, or have an impact on, many people. As a result, the Company engages regularly with its stakeholders at Group and/or business level, depending on the particular issue.

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

Detailed information about our approach to stakeholder engagement and specific activities this year can be found on pages 65 to 71 (which contains our Section 172 Statement on engaging with our stakeholders), pages 72 to 85 (on responsibility) and in the following letter from Richard Reid, our Non-Executive Director for engagement with the workforce.

Our values (respecting everyone's dignity, acting with integrity, progressing through collaboration, and delivering with rigour) and culture essentially centre around doing the right thing.

Board leadership and company purpose *continued*

Non-Executive Director for engagement with the workforce

I continue to believe that our people are our greatest asset and are critical to the success of our devolved business model. Ensuring all our people have a voice and a way of sharing their views and opinions is not only the right thing to do, but critical to our business success.

Since my appointment as Non-Executive Director for engagement with the workforce I have engaged with leadership teams across the businesses to understand how the voices of their workforces are heard at all levels, engaged directly with groups of employees and ensured two-way feedback with the Board. I have also worked with the Executive to ensure processes are in place for the voices of all our employees to be heard, action to be taken as a result and for good practices to be spread across the Group.

The complexity, spread and scale of the Group requires that my approach to workforce engagement not only incorporates my personal interactions with our businesses and people, but also supports the collective commitment of the wider Board and senior management in the businesses to setting a clear expectation that we engage and listen to our people.

Since we published the 2020 annual accounts, I have spoken with all our divisional and head office leadership teams, including chief executives and divisional People and HR directors, as they have navigated through the continued challenges of COVID-19, hearing first-hand how businesses were responding and adapting to the pandemic, and engaging with their people throughout. Building on sessions in the previous year, I have met with a number of businesses (and in some cases also experienced virtual tours of our facilities), further details of which are provided on page 105. There has also been direct engagement by members of our Board with our people across the Group, including regular attendance at the virtual 'Women in ABF' network events in October 2020 and May 2021, with each event being attended by more than 270 people from across the businesses. At least one Board member spoke, presented or took questions at each of these events. For example, Dame Heather Rabbatts, our newest Board member, shared the expectations she had for ABF and the engagement of our people at the May 2021 event.

In addition to this direct engagement with our people, workforce engagement updates are provided to the Board by each business division throughout the course of the year. Eight of these updates were held virtually with chief executives and divisional HR directors in discussion with the Board, and two updates were written. Overall progress on workforce engagement has included approaches to hearing the employee voice, such as surveys or listening groups, and sharing of feedback and how such feedback has been taken into account. We have been pleased to see progress on inclusion initiatives, training, engagement and communication during COVID-19, as well as seeing some excellent responses across the Group on mental health and wellbeing, working from home and factory/store safety.

Each year the Chief People and Performance Officer talks to the Board about our people, including progress on workforce engagement. This year's focus included: the Group's overall responses during COVID-19; processes in place to engage talent, up-and-coming or under-represented groups; and building skills and capabilities among functional talent areas.

Last year I mentioned standardising certain key measures to improve the Board's oversight of how the divisions are engaging with their people and responding accordingly. We are gathering data this year which will provide an overview of engagement coverage across the businesses and any emerging key themes. It is intended that this be shared with the Board in January 2022.

Across the Group we have many examples of where listening to employees has led to practical actions to improve engagement and experience in the workplace. For example, feedback from inclusion and pulse surveys at the head office led to changes in physical layouts to improve interaction between all functions and levels. In Twinings Ovaltine, feedback from their online continuous employee engagement survey tool has led to a growth and career development programme specifically for the International Markets Group, and to boosting levels of feedback and informal recognition for great contributions in the UK and Ireland. The Mauri team in GWF understood from their engagement survey that people wanted more clarity and communication on strategy and purpose and consequently launched a programme which incorporates fortnightly 'strategy drops' webinar briefings, small discussion groups and recorded podcasts of senior leaders discussing their thoughts on the strategy. They are also engaging people in re-crafting or re-energising their purpose. Tip Top in Australia learned that some of their people were experiencing fatigue and work overload during the pandemic and responded with wellbeing checks and adjustments to workload and resourcing. In AB Agri's Global Technology Services team, insights from their intelligent continuous listening platform 'The Pulse' identified a need to support growth, recognition, and workload balance. This led to actions being taken to improve the team's organisation, career and training plan, launch a local recognition scheme to show appreciation for great work, and increase team connection through social events such as their 'online Olympics'.

We aspire that every employee voice is welcomed and heard by their line managers and leaders. However, we know that sometimes other channels can be important for raising concerns. I am pleased that, in September 2021 we launched our new Speak Up Policy, which replaces our Whistleblowing Policy. This was launched with groupwide communication to all employees. Further details on this can be found on page 84.

Moving forward, we are enhancing the divisional updates to the Board and enhancing follow-up discussions with the leadership teams to expand the conversations and insights the Board can offer. After the proposed review in January 2022 of the measurements and data captured this year, the Board will share observations and insights with the senior management across the businesses and discuss our expectations and aspirations for the Group overall.

I and the Board are looking forward to continuing the focus and rigour around workforce engagement into the year ahead, meeting with our people and understanding their insights and experiences.

Richard Reid
Non-Executive Director

Engagement with shareholders

Individual shareholders

We have a number of individual shareholders. All shareholders are usually invited to attend the AGM in person (although this changed in respect of the 2020 AGM given the COVID-19 pandemic), have access to our website and receive electronic communications. The 2021 AGM is planned to be a physical event which will be live-streamed. It is intended that shareholders will have the opportunity to put their questions to the Board either at the meeting (if attending in person) or in advance of the meeting.

We have a dedicated in-house team to manage communications with our shareholders, making sure we respond directly, as appropriate, to any matters regarding their shareholdings. We also have a dedicated team at Equiniti (our share registrar) which looks after their needs. To improve security and efficiency of communications and to reduce the amount of paper we use, we seek to use e-communications to communicate with shareholders wherever possible. We also encourage the direct payment of dividends into bank or building society accounts.

Institutional investors

During the year, the Board has maintained an active programme of engagement with institutional investors, the purpose of which is both to develop shareholders' understanding of the Company's strategy, operations and performance and to provide the Board with an awareness of the views of significant shareholders. At each Board meeting, the directors are briefed on shareholder meetings that have taken place and on feedback received, including any significant concerns raised.

AGM

The AGM provides an opportunity for directors to engage with shareholders, answer their questions and to meet them informally. The 2021 AGM will be adapted as appropriate to meet any concerns relating to the COVID-19 pandemic. The AGM will be held on Friday 10 December 2021 at 11.00 am at the Congress Centre, 28 Great Russell Street, London WC1B 3LS. It is currently planned that shareholders will be able to attend physically. There will also be the possibility to follow proceedings through a live-stream. We encourage all shareholders not attending in person on the day to vote by proxy in advance of the meeting on all resolutions put forward. Shareholders not attending on the day are given the opportunity to raise questions and receive responses in advance of the voting deadline. Further details are included in the Notice of AGM and documentation accompanying the proxy form. All votes are taken by a poll. In 2020, voting levels at the AGM were over 80% of the Company's issued share capital.

Annual report

We publish a full annual report and accounts each year which contains a Strategic report, responsibility section, governance section and financial statements. The annual report is available in paper format and on our website: www.abf.co.uk.

Responsibility/ESG

We publish a Responsibility Report every three years with an update report each year in between. We also published an ESG Appendix each year, which this year will be replaced by our ESG Insights. The Company Secretary acts as a focal point for communications on matters of corporate responsibility. During the year, the Company responded to requests for meetings, telephone meetings or written information from both existing and potential shareholders and research bodies on a broad range of environmental, social and governance risk matters, including matters related to climate change, water and greenhouse gas risk management, supply chain management, animal welfare, sustainable agriculture, human rights, employee welfare, gender balance and human capital development.

Meetings

The Chairman issues an invitation each year to the Company's largest institutional shareholders to hear their views and discuss any issues or concerns. During the year, the Chairman held meetings with a number of institutional shareholders (either in person or virtually) and discussed a range of topics including the Company's strategy and approach to governance, ESG and remuneration-related matters.

On the day of the announcement of the interim and final results, the Company's largest shareholders, together with financial analysts, are invited to a presentation with a question and answer session by the Chief Executive and Finance Director, with webcast presentations of the results available for all shareholders through the Company's website. Following the results, the Executive team holds one-to-one and group meetings (virtually where necessary) with institutional shareholders and potential investors. These views are then reported back to the Board as a whole at the following Board meeting to ensure that they are aware of what the Company's largest shareholders are concerned with, or not, as the case may be.

Website (www.abf.co.uk)

Our website is regularly updated and contains a comprehensive range of information on our Company. There is a section dedicated to investors which includes our investor calendar, financial results, presentations, press releases and contact details. The area dedicated to individual shareholders is an essential communication method. It includes information on shareholder news, administrative services and contact information.

Division of responsibilities

Board composition

At the date of this report, the Board comprises the following directors:

Chairman
Michael McLintock

Executive directors
George Weston (Chief Executive)
John Bason (Finance Director)

Non-executive directors
Ruth Cairnie (Senior Independent Director)
Emma Adamo
Graham Allan
Wolfhart Hauser
Dame Heather Rabbatts
Richard Reid

→ **Biographical and related information about the directors is set out on pages 98 to 99.**

We consider the size of the Board to be large enough to ensure diversity and an appropriate variety of skills whilst still being small enough to ensure a good quality of debate. This view is supported by the outcome of the external Board evaluation, further details of which are set out below.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Michael McLintock	9/9		3/3	5/5
George Weston	9/9			
John Bason	9/9			
Emma Adamo	9/9			
Graham Allan	9/9	4/4	3/3	5/5
Ruth Cairnie	9/9	4/4	3/3	5/5
Wolfhart Hauser	9/9	4/4	3/3	5/5
Dame Heather Rabbatts	4/4	2/2		2/2
Richard Reid	9/9	4/4	3/3	5/5

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the Board to ensure that no one has unfettered powers of decision. Copies are available on request.

The Chairman is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman works with the Company Secretary to set the agenda for Board meetings. The Chairman promotes a culture of openness and debate, which has been a key factor in seeking to keep the size of the Board relatively small, and facilitates constructive Board relations and contribution from all non-executive directors, as well as ensuring that directors receive accurate, timely and clear information. The Chairman was independent on appointment.

The Chief Executive is responsible for leading and managing the Group's business within a set of authorities delegated by the Board and for the implementation of Board strategy and policy. Authority for the operational management of the Group's business has been delegated to the Chief Executive for execution or further delegation by him for the effective day-to-day running and management of the Group. The chief executive of each business within the Group has authority for that business and reports directly to the Chief Executive.

Senior Independent Director

The purpose of this role is to act as a sounding board for the Chairman and to serve as an intermediary for other directors where necessary. The Senior Independent Director is also available to shareholders should a need arise to convey concerns to the Board which they have been unable to convey through the Chairman or through the executive directors. The role of the Senior Independent Director is set out in writing and a copy is available on request.

In addition to meeting with non-executive directors without the Chairman present to appraise the Chairman's performance (for which, see further details on page 106), the Senior Independent Director meets with the non-executive directors on other occasions as necessary.

The non-executive directors

The non-executive directors, in addition to their responsibilities for strategy and business results, play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the Board's decision-making. They each occupy, or have occupied, senior positions in industry which, taken together, cover a broad range of jurisdictions, bringing valuable external perspectives to the Board's deliberations through their experience and insight from different sectors and geographies. This enables them to contribute significantly to Board decision-making by providing constructive challenge and holding to account both management and individual executive directors against agreed performance objectives. Whilst the Board has increased in size during the course of the financial year, it is still of a sufficiently small size to be conducive to open and candid discussions. The formal letters of appointment of non-executive directors are available for inspection at the Company's registered office.

Board Committees

The written terms of reference for the Nomination, Audit and Remuneration Committees are available on the Company's website, www.abf.co.uk, and hard copies are available on request. Further details on the work of each of the Committees is included later in this Corporate Governance Report.

Board independence

Emma Adamo is not considered by the Board to be independent in view of her relationship with Wittington Investments Limited, the Company's majority shareholder. Emma was appointed in December 2011 to represent this shareholding on the Board. The Board considers that the other non-executive directors are independent in character and judgement and that they are each free from any business or other relationships which would materially interfere with the exercise of their independent judgement. Further details of their independence are included in the Notice of AGM.

At least half the Board, excluding the Chairman, are independent non-executive directors.

Commitment

The letters of appointment for the Chairman and the non-executive directors set out the expected time commitment required of them and are available for inspection by any person during normal business hours at the Company's registered office and at the AGM. Other significant commitments of the Chairman and non-executive directors are disclosed prior to appointment and subsequent appointments require prior approval.

Board meetings

The Board held nine meetings during the financial year as well as receiving weekly business updates from mid-January 2021 through to the end of March 2021 via the Board portal. Periodically, Board meetings are held away from the corporate centre in London.

The attendance of the directors at Board and Committee meetings during the year is shown in the table on page 104. If a director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business in advance of the relevant meeting and share these with the meeting so that they are able to contribute to the debate.

All of the directors attended those meetings that they were eligible to attend. Dame Heather Rabbatts was appointed to the Board, the Audit Committee and the Remuneration Committee on 1 March 2021 and attended all Board, Audit Committee and Remuneration Committee meetings since that date.

Senior executives below Board level are invited, when appropriate, to attend Board meetings and to make presentations on the results and strategies of their business units.

Papers for Board and Committee meetings are generally provided to directors a week in advance of the meetings.

Information flow

The Company Secretary manages the provision of information to the Board at appropriate times in consultation with the Chairman and Chief Executive and ensures that the Board has the policies, processes, time and resources it needs in order to function effectively and efficiently. This includes the provision of corporate governance updates to all Board members in the Board pack for each meeting. In addition to formal meetings, the Chairman and Chief Executive maintain regular contact with all directors. The Chairman holds informal meetings or calls with non-executive directors, without any of the executives being present, to discuss issues affecting the Group, when appropriate. Regular management updates are sent to directors as appropriate to keep the non-executive directors informed of events throughout the Group between Board meetings and to ensure that they are advised of the latest issues affecting the Group. This was particularly the case from mid-January 2021 until late March 2021 when the Board received weekly business updates via the Board portal. All directors have access to the Company Secretary, who is responsible for advising the Board on all governance matters.

Board induction

The Company provides all non-executive directors with a tailored and thorough programme of induction, which is facilitated by the Chairman and the Company Secretary and which takes account of prior experience and business perspectives and the Committees on which he or she serves. This typically includes training, as well as site visits and meetings with management to get to know the businesses better.

Dame Heather Rabbatts

Dame Heather joined the Board on 1 March 2021. As part of the induction to the Company, in addition to attending Board, Audit Committee and Remuneration Committee meetings, Dame Heather has had either face-to-face or virtual meetings with:

- the Chairman;
- the Chief People and Performance Officer;
- the Director of Financial Control;
- the Director of Corporate Governance; and
- the CEO of Primark.

She also has meetings/visits planned with AB World Foods in Leigh and the ABF Shared Service Centre. Meetings are also being arranged with some of our other businesses in Europe.

Dame Heather also joined the Company's ESG Investor Day in March 2021 and spoke at the virtual ABF Women in Business Forum in May 2021.

Training, development and engagement

The Chairman has overall responsibility for ensuring that the directors receive suitable training to enable them to carry out their duties and is supported in this by the Company Secretary. Directors are also encouraged personally to identify any additional training requirements that would assist them in carrying out their role. Training is provided in briefing papers, such as the regular update from the Company Secretary as part of the Board pack ahead of each meeting covering developments in legal, regulatory and governance matters, and by way of presentations and meetings with senior executives or other external sources. As part of the Board update on strategy at the Board meeting held in June 2021, as well as presentations from Primark, the Board received a written update on the food strategy for the Group (including a refresher analysis on the Group businesses by type) as well as analysis of various different food and beverage brands outside the Group.

The Chief Executive encourages other Board members to visit operations either with him, with other directors, or on their own.

The ongoing implications of the COVID-19 pandemic have continued to limit the scope for physical visits. As part of his role as Non-Executive Director for engagement with the workforce, in October 2020, Richard Reid had virtual meetings with people from the George Weston Foods business and the Twinings business in Australia. Richard also attended a virtual training meeting with ABF Ingredients employees on leading in a pandemic in January 2021, had a virtual visit of British Sugar Newark in February 2021, had a virtual meeting with people from the ABF Shared Service Centre and had virtual meetings with people from AB Mauri Global Bakery Ingredients business in the Netherlands and Argentina in September 2021.

Ruth Cairnie attended the ABF Women in Business virtual forum in October 2020 and, as referred to above, Dame Heather Rabbatts spoke at the event in May 2021. George Weston and John Bason have each also given business updates at the events.

The Chairman met with management and attended a factory tour at the Jordans Dorset Ryvita plant in Bardney, Lincolnshire in August 2021 as well as attending a tour of the Silver Spoon site. Both the Chairman and Ruth Cairnie met with management and had site visits to the Vivergo Fuels plant and the AB Mauri yeast production plant in Hull in September 2021.

Composition, succession and evaluation

Board succession

There is a formal and transparent procedure for the appointment of new directors to the Board. Details are available in the Nomination Committee Report on pages 107 to 108 which also provides details of the Committee's activities, including the appointment of Dame Heather Rabbatts to the Board on 1 March 2021, as well as on Board and senior management succession plans and diversity.

Re-election of directors

In accordance with the 2018 Code's recommendations, all directors currently in office will be proposed for re-election at the 2021 AGM to be held in December. This will be in addition to the election of Dame Heather Rabbatts as a director.

Board evaluation

Further to its postponement in 2020 as a result of COVID-19, a formal and rigorous externally facilitated Board evaluation was carried out in March to May 2021. The objective of the review was to assess all aspects of the effectiveness of the Board as a whole and its Committees, the Chairman and the individual directors.

The Director of Company Secretariat and Director of Corporate Governance drew up a shortlist of two potential candidates to carry out the external Board evaluation based on discussions with the Chairman and Senior Independent Director and based on previous experience of the candidates or recommendations. The Director of Company Secretariat and Director of Corporate Governance met with each of the two potential candidates. The preferred candidate, Belinda Hudson Limited (BHL), was put forward to meet with the Chairman. The appointment of BHL as the external Board evaluator was decided by the Chairman and agreed at a meeting of the Board. The Director of Corporate Governance was responsible for providing BHL with the necessary access and support to conduct the review.

BHL had not previously carried out an evaluation of the Board but BHL has carried out board evaluations for a FTSE 100 company of which our Senior Independent Director, Ruth Cairnie, was previously a non-executive director. This also assisted in supporting the Board's decision as to why BHL was qualified to carry out the review. Other than this recommendation based on prior knowledge of the quality of BHL's work, there is no connection between BHL and the Company or its individual directors.

Although the Code of Practice of Independent Board Reviewers was not in effect at the time the engagement was entered into, BHL has confirmed that it intends to become a signatory to the Code of Practice. Further, the Company confirms that it considers that it has abided by the Principles of Good Practice for listed companies using external board reviewers.

How the Board evaluation was conducted

The main strands of work were as follows:

- review of Board and Committee papers for a 12-month period up to April 2021 and of various governance documents;
- one-to-one virtual interviews with all Board members as well as the Company Secretary and Director of Legal Services, the Director of Company Secretariat (retired), the Director of Corporate Governance, the Director of Financial Control, the Chief People and Performance Officer, the Group Director of Reward and the former Lead Audit Partner;
- observation of the Board meeting held in April 2021; and
- preparation of the report.

The report was then included in the Board pack for the Board meeting in May 2021, discussed in detail by the Board and the results presented by the reviewer.

The headline outcome of the review was that the Board of the Company was a high quality one that was effective and that it was universally regarded as a very positive asset, with the non-executive directors providing a good balance of support and challenge, influencing the executives and adding value.

Notwithstanding that the report considered that the Board performance was strong, a number of ways were identified in which the governance relating to the Board and Committees could be strengthened. The Chair is acting on the specific key suggestions set out in the table below.

The outcome of the evaluation will not have any impact on Board composition, taking into account that the composition of the Board has only recently changed with the appointment of Dame Heather Rabbatts as a director in March 2021, such appointment itself being related to the outcome of previous Board evaluations.

The sections of the report describing the process followed and outcome of the review have been agreed with BHL.

In addition to and separately from the external Board evaluation, the Senior Independent Director, with the input of the non-executive directors and without the Chairman present, carried out an appraisal of the performance of the Chairman during the year. This concluded that the Chairman had led the Board through the COVID-19 pandemic in an exemplary fashion, combining gravitas and a focused response with lightness and a high degree of emotional intelligence.

Suggestion	Action
Ensure that the Board's tolerance for risk is articulated and a set of risk appetites developed.	Engaging the Director of Business Development to help develop a set of risk appetites and to consider better articulating the Board's tolerance for risk.
Review the information and presentations made by the business unit leaders at Board meetings to ensure that they make best use of the time devoted to them in the boardroom.	Engaging the Director of Business Development to undertake a review of the information and presentations provided by the business divisions and to make proposals as to how these can better meet the needs of the Board.
Review whether the Board would benefit from more formal information concerning the views of external shareholders.	Arranging for the provision of more formal feedback to the Board of the views of external shareholders, particularly following results announcements.

Nomination Committee Report

Michael McLintock
Nomination Committee Chair

Members

At the date of this report, the following are members of the Committee:

- Michael McLintock (Chair)
- Graham Allan
- Ruth Cairnie
- Richard Reid
- Wolfhart Hauser

All members served on the Committee throughout the year.

Meetings

The Committee met three times during the year under review.

Primary responsibilities

In accordance with its terms of reference, the Nomination Committee's primary responsibilities include:

- leading the process for Board appointments and making recommendations to the Board;
- reviewing regularly the Board structure, size and composition (including skills, knowledge, independence, experience and diversity) and recommending any necessary changes;
- considering plans for orderly succession for appointments to the Board and to senior management, to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshment of the Board;
- keeping under review the leadership needs of the Group, both executive and non-executive, to ensure the organisation competes efficiently in the marketplace; and
- being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Governance

Members of the Nomination Committee are appointed by the Board from amongst the directors of the Company, in consultation with the Chairman. The Committee comprises a minimum of three members at any time, a majority of whom are independent non-executive directors. A quorum consists of two members being either two independent non-executive directors or one independent non-executive director and the Chairman.

Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chief Executive, members of senior management, the Chief People and Performance Officer and external advisers may be invited to attend meetings as and when appropriate.

The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The Committee Chair reports the outcome of meetings to the Board.

The terms of reference of the Nomination Committee are available on the Investors section of the Company's website: www.abf.co.uk.

Committee activities during the year

Succession planning

Priorities previously identified and carried through into the 2020/21 financial year included continuing to emphasise generalist skills in Board recruitment and continuing to factor in gender and ethnic diversity. In the continuous consideration of these topics, there was recognition of the appropriateness of creating greater diversity in Board membership and the potential need to increase the size of the Board in order to create such diversity.

We announced in last year's annual report that a process was underway to engage an external search consultancy with a view to appointing a new director and further details of the successful outcome of that process are included below.

A detailed review of succession planning in respect of senior management was presented to the Board by the Chief People and Performance Officer at the Board meeting in May 2021. This included focus on people review processes, functional talent development, specific emerging talent pipelines, diversity, equity and inclusion, and learning and development initiatives.

Board appointments process

The process for making new appointments is led by the Chairman. Where appropriate, external, independent consultants are engaged to conduct a search for potential candidates, who are considered on the basis of their skills, experience and fit with the existing members of the Board. The Nomination Committee has procedures for appointing a non-executive or an executive director and these are set out in its terms of reference.

Appointment of a new independent non-executive director

During the year, the Chairman led the process for the appointment of a new non-executive director following the statements last year that we would be looking to expand the Board by adding one new member.

Lygon Group, an external executive search consulting firm, was engaged to help identify potential candidates. Lygon Group is independent of the Company, with no other connection to it or to its individual directors. The firm is one of the initial signatories to the 'Voluntary Code of Conduct for Executive Search Firms' on gender diversity and best practice as well as being a member of the CBI's Change the Race Ratio and is accredited by the Hampton-Alexander Committee for promoting diversity in the make-up of boards. Potential candidates were considered on the basis of their skills and experience in the context of the range of skills and experience held within the existing Board as a whole. Following a rigorous process of interviews and assessments and, on the recommendations of the Nomination Committee, the Board approved the appointment of Dame Heather Rabbatts with effect from 1 March 2021 both to the Board of the Company and to the Audit and Remuneration Committees.

Election/re-election of non-executive directors

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

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

Nomination Committee Report *continued*

Performance evaluation

The performance of the Nomination Committee was considered in the external Board evaluation. It was noted that the Nomination Committee had kept the composition of the Board under review and that the Board had addressed executive succession planning on an ongoing basis.

Diversity and inclusion

As a Board, we recognise that diversity and inclusion is important for introducing different perspectives into Board debate and decision-making and that this is a wider issue than just gender and ethnicity. We believe that members of the Board should collectively possess a diverse range of skills, expertise, industry knowledge, business and other experience necessary for the effective oversight of the Group. We publish below a director skill sets matrix which seeks to provide a snapshot of that diversity of skills.

We operate under a principle that we must be a Group where anyone with ambition and talent can have a great career, regardless of their gender, race, sexual orientation or any of the other things that make people unique. We believe that this approach promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination Committee considers diversity and inclusion as one of many factors when recommending new appointments to the Board, although gender and ethnicity remain important factors and are a factor in searches for new candidates, as identified in our priorities for 2019 and carried on beyond then. The Board now meets the expectations of the Hampton-Alexander Review by having at least 33 per cent female representation and the recommendation of the Parker Review that all FTSE 100 boards should have at least one person from an ethnic minority background as a director. Further, Ruth Cairnie has occupied the position of Senior Independent Director since 2018.

Inclusion is intrinsic to our values as a Group. We strongly believe that everyone has a right to belong, be listened to, respected and supported – at all levels – and that everyone has the right to develop their careers subject to their own ambitions and talent, regardless of gender, ethnicity or any other characteristic. Diversity and inclusion was a topic of discussion at the Chief Executive's (virtual) conference with the divisional chief executives in October 2020 and progress on diversity and inclusion is written into the objectives of the divisional chief executives, as well as those of the Chief Executive and Finance Director.

For details of diversity and inclusion as it applies to the Group's wider workforce and the gender balance of senior managers and direct reports, please see page 81.

The Group DEI Network, with the support of the Board, is additional to the ownership of diversity and inclusion strategies and plans within the businesses, acting as a network to leverage the knowledge and scale of the Group. Details of other initiatives across the Group to promote diversity are provided on page 81.

Whilst there is no groupwide diversity policy, some of our businesses choose to have their own written diversity and inclusion policies, such as the AB Agri Equality, Diversity & Inclusion policy.

Director skill sets

Director	Food/ Retail	Financial/ Audit/ Risk	Legal/ Public Policy	Senior Executive	Cybersecurity/ IT	Comms/ Marketing/ Customer Service	Environmental/ Social	International Markets	Technical/ Engineering	Health & Safety	Manufacturing/ Supply Chain
Michael McLintock		●	●	●		●					
George Weston	●			●			●	●	●	●	●
John Bason	●	●		●	●	●	●	●		●	●
Ruth Cairnie			●	●			●	●	●	●	●
Emma Adamo	●						●	●			
Graham Allan	●	●	●	●	●	●	●	●		●	●
Wolfhart Hauser			●	●	●		●	●	●	●	
Dame Heather Rabbatts		●	●	●		●	●	●		●	
Richard Reid	●	●		●		●		●			

Audit, risk and internal control

Financial and business reporting

Please see the Audit Committee Report starting on page 111.

The Board recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators, and information required to be presented by statutory requests.

We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Company produced a paper in this respect, prepared by the Director of Financial Control and the Group Financial Controller, containing an assessment of the annual report and financial statements, including a summary by division of performance issues in the year and one-off items which benefitted performance. This paper was presented to the Audit Committee.

Risk management and internal control

The Board acknowledges its overall responsibility for monitoring the Group's risk management and internal control systems to facilitate the identification, assessment and management of risk and the protection of shareholders' investments and the Group's assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

The directors confirm that there is a process for identifying, evaluating and managing the risks faced by the Group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report. They also confirm that they have regularly monitored the effectiveness of the risk management and internal control systems (which cover all material controls including financial, operational and compliance controls) utilising the review process set out below.

Standards

There are guidelines on the minimum groupwide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The board of each business is required to confirm twice yearly that it has complied with these policies and procedures.

High-level controls

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at business unit level and centrally, with variances being reported promptly. The cash position at Group and business level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures and delegated authority levels.

Financial reporting

Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the Board. They include a comprehensive set of financial reports and key performance indicators covering commercial, operational, environmental and people issues. Performance against budgets and forecasts is discussed regularly at Board meetings and at meetings between operational and Group management. The adequacy and suitability of key performance indicators is reviewed regularly. All chief executives and finance directors of the Group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Internal audit

The Group's businesses employ internal auditors (both employees and resources provided by major accounting firms other than the firm involved in the audit of the Group (except where expressly permitted by the Audit Committee) with skills and experience relevant to the operation of each business. All of the internal audit activities are co-ordinated centrally by the Director of Financial Control, who is accountable to the Audit Committee.

All Group businesses are required to comply with the Group's financial control framework that sets out minimum control standards. A key function of the Group's internal audit resources is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate. Internal audit also conducts regular reviews to ensure that risk management procedures and controls are observed. The Audit Committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The Committee reviews annually the adequacy, qualifications and experience of the Group's internal audit resources and the nature and scope of internal audit activity in the overall context of the Group's risk management system. The Group's Director of Financial Control meets with the Chair of the Audit Committee as appropriate but at least quarterly, without the presence of executive management, and has direct access to the Chairman of the Board.

Audit, risk and internal control *continued*

Assessment of principal risks

The directors confirm that, during the year, the Board has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, and solvency or liquidity. A description of these principal and emerging risks and how they are being managed and mitigated is set out on pages 88 to 94.

Annual review of the effectiveness of the systems

During the year, the Board reviewed the effectiveness of the Group's systems of risk management and internal control processes embracing all material systems, including financial, operational and compliance controls, to ensure that they remain robust. The review covered the financial year to 18 September 2021 and the period to the date of approval of this annual report. The review included:

- the annual risk management review, a comprehensive process identifying the key external and operational risks facing the Group and the controls and activities in place to mitigate them, the findings of which are discussed with each member of the Board individually (refer to the risk management section on pages 88 to 94 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit Committee, provided assurance to the Board around the control environment and processes in place around the Group, specifically those relating to internal financial control.

The Board evaluated the effectiveness of management's processes for monitoring and reviewing risk management and internal control. No significant failings or weaknesses were identified by the review and the Board is satisfied that, where areas of improvement were identified, processes are in place to ensure that remedial action is taken and progress monitored.

The Board confirmed that it was satisfied that the systems and processes were functioning effectively and complied with the requirements of the 2018 Code.

Please also see the Audit Committee Report on pages 111 to 116.

Going concern and viability

The 2018 Code requires the directors to assess and report on the prospects of the Group over a longer period. This longer-term viability statement and statement of going concern is set out on page 95.

Audit Committee Report

Richard Reid
Audit Committee Chair

Members

During the year and as at the date of this report, members and Chair of the Committee have been as follows:

Richard Reid (Chair)
Graham Allan
Ruth Cairnie
Wolfhart Hauser
Dame Heather Rabbatts

Meetings

The Committee met four times in the year under review.

Primary responsibilities

In accordance with its terms of reference, the Audit Committee's primary responsibilities include:

Financial reporting

- monitoring the integrity of the Group's financial statements and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgements contained in them before their submission to the Board;
- informing the Board of the outcome of the Group's external audit and explaining how it contributed to the integrity of financial reporting;
- reviewing and challenging, where necessary, the consistency of, and changes to, accounting and treasury policies; whether the Group has followed appropriate accounting policies and made appropriate estimates and judgements; the clarity and completeness of disclosure; significant adjustments resulting from the audit; the going concern assumption; the viability statement; and compliance with accounting standards;

Narrative reporting

- at the Board's request, reviewing the content of the annual report and accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- where requested by the Board, assisting in relation to the Board's robust assessment of the principal and emerging risks facing the Company and the prospects of the Company for the purposes of disclosures required in the annual report and accounts;
- reviewing and approving statements to be included in the annual report concerning the going concern statement and viability statement;

Internal financial controls

- reviewing the effectiveness of the Group's internal financial controls and internal control and risk management systems (including the systems to identify, manage and monitor financial risks), including the policies and overall process for assessing established systems of internal financial control and timeliness and effectiveness of corrective action taken by management;

Whistleblowing and fraud

- reviewing and reporting to the Board on the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting, financial and management accounting, or any other matters. The objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action;
- reviewing the Group's policies, procedures and controls for preventing bribery, identifying money laundering, and the Group's arrangements for whistleblowing;

Internal audit

- monitoring and reviewing the effectiveness and independence of the Group's internal audit function in the context of the Group's overall risk management system;
- considering and approving the remit of the internal audit function, ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively; and

External audit

- overseeing the relationship with the Group's external auditor, including reporting to the Board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services.

Governance

The Audit Committee comprises a minimum of three members, all of whom are independent non-executive directors of the Company. Two members constitute a quorum.

The Committee Chair fulfilled the requirement that there must be at least one member with recent and relevant financial experience and competence in accounting or auditing (or both) during the year. In addition, the Committee as a whole has competence in the sectors in which the Company operates. All Committee members are expected to be financially literate and to have an understanding of the following areas:

Audit Committee Report *continued*

- the principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the Group's businesses.

The Committee invites the Finance Director, Group Financial Controller, Director of Financial Control and senior representatives of the external auditor to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the Committee to discharge its duties.

During the year, the Committee held four meetings with the external auditor without any executive members of the Board being present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditor.

The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The Committee Chairman reports the outcome of meetings to the Board.

The performance of the Audit Committee was considered in the external Board evaluation, which found that the Committee was universally well-regarded as being strong and effective. It was noted that members came to the meetings well prepared and offered robust challenge and that the agenda of meetings was broad-ranging, well-structured and covered all the matters in the Audit Committee's remit.

The terms of reference of the Audit Committee can be viewed on the Investors section of the Company's website: www.abf.co.uk.

Meetings

The Audit Committee met four times during the year. The Committee's agenda is linked to events in the Group's financial calendar.

Activities during the year

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the Group's senior management, consulting as necessary with the external auditor.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Audit Committee.

During the year it formally reviewed the Group's interim and annual reports. These reviews considered:

- the description of performance in the annual report to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the Group's financial statements, any proposed changes to them, and the adequacy of their disclosure;
- important accounting issues or areas of complexity, the actions, estimates and judgements of management in relation to financial reporting and in particular the assumptions underlying the going concern and viability statements;
- any significant adjustments to financial reporting arising from the audit;
- tax contingencies, compliance with statutory tax obligations and the Group's tax policy;
- cybersecurity;
- consideration of the potential implications of the BEIS White Paper: Restoring Trust in Audit and Corporate Governance;
- COVID-19 challenges and response assurance plan;
- consideration of the implications of the FCA's listing rules, published in November 2020, on the Task Force on Climate-related Financial Disclosures (TCFD). These rules on TCFD will apply to ABF in the annual report for 2022;
- treasury policies; and
- Group long-term funding options.

Significant accounting issues considered by the Audit Committee in relation to the Group's financial statements

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The Committee has, with support from Ernst & Young LLP ('EY') as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

Set out below are the significant areas of accounting judgement or management estimation and a description of how the Committee concluded that such judgements and estimates were appropriate. These are divided between those that could have a material impact on the financial statements and those that are less likely to have a material impact but nevertheless, by their nature, required a degree of estimation.

Areas of significant accounting judgement and estimation material to the Group financial statements	Audit Committee assurance
Impairment of goodwill, intangible, tangible and right-of-use assets Assessment for impairment involves comparing the book value of an asset with its recoverable amount, being the higher of value-in-use and fair value less costs to sell. Value-in-use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.	The Committee considered the reasonableness of cash flow projections which were based on the most recent budget approved by the Board and reflected management's expectations of sales growth, operating costs and margins based on past experience and external sources of information. The Committee focused on Azucarera, Allied Bakeries, China Sugar, Australian meat, and AB Mauri. Long-term growth rates for periods not covered by the annual budget were challenged to ensure they were appropriate for the products, industries and countries in which the relevant cash-generating units operate. The Committee also reviewed and challenged the key assumptions made in deriving these projections: discount rates, growth rates, and expected changes in production and sales volumes, selling prices and direct costs. The Committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Refer to notes 8 and 9 to the financial statements for more details of these assumptions. The Committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable. On the basis of the key assumptions and associated sensitivities, an impairment charge of £141m in property, plant and equipment at Azucarera and other sugar businesses was appropriately recognised and included within exceptional items as detailed in notes 8 and 9. The external auditor undertook an independent audit of the estimates of value-in-use and fair value less costs to sell, including a challenge of management's underlying cash flow projections, long-term growth assumptions and discount rates. On the basis of its work, and its challenge of the key assumptions and sensitivities, it considered that the impairment charges as detailed in notes 8 and 9 were appropriately recognised.
Impact of COVID-19 on the viability statement and going concern The COVID-19 pandemic continues to be a worldwide crisis and the situation is still uncertain. Authorities continue to impose restrictions on both a regional and local basis. COVID-19 has had a particular impact on the cash flow and profitability of the retail business. The Board considered future performance and cash flows in its going concern assessment, through to February 2023, and its viability statement over the next three years. Management has undertaken a detailed financial modelling exercise that has considered the impact on profit, cash and working capital of a number of potential scenarios.	Since March last year, when the pandemic became apparent, the Audit Committee, on behalf of the Board, has considered the implications of COVID-19 and provided ongoing support and challenge of management's accounting, reporting and internal controls. As the pandemic continues to evolve, focus has been given to the retail business, which is most likely to be adversely impacted by any future restrictions imposed. The Committee has reviewed and challenged the scenarios considered by management and concluded that these, and the stress-testing scenarios and assumptions, were appropriate and adequate. The Committee has reviewed the detailed cash flow forecasts, which incorporate the mitigating actions proposed by management. The Committee also reviewed and challenged the reverse stress assumptions to confirm the viability of the Group. The Committee has been kept informed of the impacts of COVID-19 on the Group, including accounting matters, going concern and viability considerations, and UK FRC and FCA pronouncements. The Committee has satisfied itself that management has adequately identified and considered all potentially significant accounting and disclosure matters.

Audit Committee Report *continued*

Areas of significant accounting judgement and estimation material to the Group financial statements	Audit Committee assurance
Taxation Current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world and the ability of the Group to use tax losses within the time limits imposed by various tax authorities.	The Committee reviews the Group's tax policy and principles for managing tax risks annually. The Committee reviewed and challenged the provisions recorded and the contingent liabilities disclosed at the balance sheet date and management confirmed that they represent their best estimate of the financial exposure faced by the Group. The external auditor explained to the Committee the work they had conducted during the year, including how their audit procedures were focused on those provisions requiring the highest degree of judgement. The Committee discussed with both management and the external auditor the key judgements which had been made. The Committee was satisfied that the judgements were reasonable and that, accordingly, the provision amounts recorded were appropriate.

Other accounting areas requiring management judgement or estimation	Audit Committee assurance
Post-retirement benefits Valuation of the Group's pension schemes and post-retirement medical benefit schemes require various subjective judgements to be made including mortality assumptions, discount rates, general and salary inflation, and the rate of increase for pensions in payment and those in deferment.	Actuarial valuations of the Group's pension scheme obligations are undertaken every three years in the UK by an independent qualified actuary who also provides advice to management on the assumptions to be used in preparing the accounting valuations each year. Actuarial valuations in other jurisdictions are performed as required. Details of the assumptions made in the current and previous year are disclosed in note 12 of the financial statements together with the bases on which those assumptions have been made. The Committee reviewed the assumptions by comparison with externally derived data and also considered the adequacy of disclosures in respect of the sensitivity of the surplus to changes in these key assumptions.

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee the misstatements that they had found in the course of their work. After due consideration the Committee concurred with management that these misstatements were not material and that no adjustments were required.

Internal financial control and risk management

The Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the Group's compliance with the 2018 Code. To fulfil these duties, the Committee reviewed:

- the external auditors' summary of management letters and their Audit Committee reports;
- internal audit reports on key audit areas and any significant deficiencies in the financial control environment;
- reports on the systems of internal financial control and risk management;
- an assessment of business continuity plans in place in the Group's businesses;
- reports on fraud perpetrated against the Group;
- the Group's approach to anti-bribery and corruption, and whistleblowing;
- the Group's approach to IT and cybersecurity; and
- reports on significant systems implementations.

Internal audit

The Audit Committee is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans.

To fulfil its duties, the Committee reviewed:

- internal audit's reporting lines and access to the Committee and all members of the Board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution; and
- changes in internal audit personnel to ensure appropriate resourcing, skills and experience are put in place.

The Chair of the Committee met with the Director of Financial Control regularly during the year to monitor the effectiveness of the internal audit function, receiving updates on audit progress and statistics on outstanding issues.

Whistleblowing and fraud

The Group's approach to whistleblowing was reviewed during the year. The Whistleblowing Policy has been rebranded and relaunched as 'Speak Up'. It is designed to protect ABF's culture of fairness, trust, accountability and respect, encouraging effective and honest communication at all levels. In addition, a new independent external service provider was appointed to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate. Further details on the policy can be found on page 84. The Committee reviewed reports from internal audit and the actions arising therefrom and reported this to the Board.

The Group's Anti-fraud Policy has been communicated to all employees and states that all employees have a responsibility for fraud prevention and detection. Any suspicion of fraud should be reported immediately and will be investigated vigorously. The Audit Committee reviewed all instances of fraud perpetrated against the Group and the action taken by management both to pursue the perpetrators and to prevent reoccurrences.

External audit

Auditor independence

The Audit Committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the Group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor, whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The Committee's policy on the use of the external auditor to provide non-audit services is in accordance with applicable laws and takes into account the relevant ethical guidance for auditors. Any non-audit work to be undertaken by the auditor requires authorisation by the Finance Director and above a certain threshold, by the Audit Committee, prior to its commencement. The Committee also ensures that fees incurred, or to be incurred, for non-audit services, both individually and in aggregate, do not exceed any limits in applicable law and take into account the relevant ethical guidance for auditors.

The Committee is required to approve the use of the external auditor to provide: accounting advice and training; corporate responsibility and other assurance services; financial due diligence in respect of acquisitions and disposals; and will consider other services when it is in the best interests of the Company to do so, provided they can be undertaken without jeopardising auditor independence. Tax services including tax compliance, tax planning and related implementation advice may not be undertaken by the external auditor except in very exceptional circumstances where specialist knowledge is required. The aggregate expenditure with the Group auditor is reviewed by the Audit Committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any partners, directors or senior managers hired directly from the external auditor must be pre-approved by the Chief People and Performance Officer, and the Finance Director or Group Financial Controller, with the Chair of the Audit Committee being consulted as appropriate.

The Audit Committee has formally reviewed the independence of the external auditor. EY has reported to the Committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with its professional standards.

To fulfil its responsibility to ensure the independence of the external auditor, the Audit Committee reviewed:

- a report from the external auditor describing arrangements to identify, report and manage any conflicts of interest, and policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and
- the extent of non-audit services provided by the external auditor.

The total fees paid to EY for the 53 weeks ended 18 September 2021 were £9.1m, of which £0.7m related to non-audit work. Further details are provided in note 2 to the financial statements.

Audit Committee Report *continued*

Auditor effectiveness
To assess the effectiveness of the external auditor, the Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses via questionnaires evaluating the performance of each assigned audit team, planning, challenge and interaction with the business; and
- a report on EY, as a firm, from the Audit Quality Review Team ('AQRT') of the Financial Reporting Council ('FRC').

The Audit Committee holds private meetings with the external auditor after each Committee meeting to review key issues within their sphere of interest and responsibility.

To fulfil its responsibility for oversight of the external audit process, the Audit Committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- the overall work plan and fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- recommendations made by the external auditor in their management letters and the adequacy of management's response.

Auditor appointment
The Audit Committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee.

The Company's current external auditor, EY, was first appointed at the annual general meeting in December 2015, with effect from 2016, following the conclusion of a competitive tender process. The Audit Committee is satisfied with the auditor's effectiveness and independence and has recommended to the Board that EY be reappointed as the Company's external auditor for 2021/22. In accordance with applicable law and regulation, the Company is required to conduct a competitive audit tender during 2025. The Audit Committee has discussed the most appropriate time to carry out the external audit tender process, taking into account the independence, objectivity and quality of EY's external audit and has concluded that, based on current performance, it is anticipated that a competitive tender process will commence in 2025. The Audit Committee considers that a competitive tender is in the best interests of the Company's shareholders as it will allow the Company to appoint the audit firm that will provide the highest quality, most effective and efficient audit.

Compliance with the CMA Order
The Company confirms that, during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Annual statement by the Remuneration Committee Chair

Ruth Cairnie
Remuneration Committee Chair

In this section

How the Directors' Remuneration Policy, approved in 2019, was implemented in 2020/21

→ page 120

How we expect to implement the Directors Remuneration Policy in 2021/22

→ page 121

Required supporting disclosures

→ pages 122 to 135

This report is subject to an advisory vote at the 2021 AGM

2021 has required exceptional care and judgement by the Committee in considering appropriate performance-related outcomes, taking into account the challenging circumstances we continued to face due to the pandemic.

Our role as a Committee includes encouraging enhanced performance and rewarding contribution to the Company's long-term success. This year a major consideration for the Committee has been to address the question, "what is the appropriate performance-related pay for senior management taking into account the impacts of COVID-19?".

Last year, our pay outcomes reflected the immediate impact of COVID-19 – no annual bonus (STIP) being paid; no Long-term Incentive Plan (LTIP) vesting; and executive directors volunteered salary cuts of 50% of salary for a substantial part of the year. As a Committee we were comfortable that, given the widespread societal impacts on multiple stakeholder groups, this was appropriate. However, we were also strongly of the view that our remuneration approach for the following years would need to support actions and performance that would benefit shareholders and wider stakeholders, in line with our key remuneration principle of alignment, accountability and doing the right thing. This would need to address a strong likelihood that the vesting targets for the in-flight LTIPs would no longer be achievable; the critical impact here was the potential effect of enforced closure of Primark stores, with Primark operating profit of £969m in 2018/19 (on an IFRS 16 pro forma basis) having been expected to continue on a strong growth trajectory to drive the LTIP targets, but being reduced by store closures to £362m in 2019/20 and £321m in 2020/21.

Addressing these challenges has required an exceptional approach and more than the usual level of judgement to arrive at outcomes that we believe are well aligned to the interests of all stakeholders.

Shareholder consultation 2020 and 2021

I consulted extensively with shareholders a year ago to raise with them the dilemmas we faced and the possibility that we would seek to use the Committee's discretion to allow the in-flight LTIPs to vest based on our performance, despite the pandemic having made the targets unachievable. The conversations last year were constructive and thoughtful, providing some helpful insights and suggestions. There was a broad willingness to engage again on the subject once we knew what approach we wished to follow.

Over recent months we have again consulted our largest shareholders on the approach outlined on these pages. I would like to thank those involved for taking the time to help us develop and challenge our thinking. In the main, feedback has been supportive of the rationale for applying discretion, recognising the challenging context and the importance of our remuneration decisions aligning to reasonable performance expectations and our accountability model.

Many shareholders asked us to give as much clarity as possible on how the proposed quantum of discretionary outcomes was arrived at. This is provided in this letter and in the report on pages 124 to 125 for the 2020/21 STIP and pages 126 to 128 for the 2018-21 LTIP. However, I want to be clear that, in a number of areas, a high level of judgement was required, with a number of decisions having to be based entirely on a 'feels right' basis.

Remuneration in 2020/21

STIP 2020/21

As a Committee we have a track record, built up over many years, of taking fair and balanced decisions on performance pay, including exercising discretion.

When setting the performance range for the STIP this year, we wanted to take account of the potential for some store closures to occur and developed a mechanism so that the Primark target would reflect the estimated impacts of any closures that occurred in practice. We considered this to be a more robust approach than making arbitrary assumptions about the potential level of closures, which was clearly impossible to predict. The approach is explained further on page 124. At the time of setting the approach, a year ago, our expectation was for some closures to occur but that they would be more localised and short-term than what had been experienced in the spring of 2020.

In practice, the impact of COVID-19 on Primark trading this year has been far greater than expected. This had the unanticipated consequence of trading being much stronger when stores were open, with the result that the STIP outcome calculated using the mechanism we set at the beginning of the year is at maximum.

Looking in the round, the Committee does not feel this is an appropriate outcome and has decided to apply downwards discretion, reducing the STIP payment for financial performance to an on-target level.

This is an entirely judgement-based decision. In our recent consultation meetings, shareholders appreciated us taking this approach.

LTIP 2018-21

At the start of this financial year we felt that it would not be right for the LTIPs for 2018-21 and 2019-22 to be entirely out of reach for reasons outside the executives' control. We wanted to align executives' pay with critical actions to develop and strengthen the business, preserving and creating value for shareholders. Having the LTIPs predestined not to vest did not feel aligned to the principles of our performance-based approach, nor would it support the recruitment and retention of senior leaders in a very competitive talent market.

Across the Group some 170 employees participate in the share-based LTIP, with around 55% of these individuals having some or all of their payout based on Group or Primark performance.

Taking into account the feedback from our investors, the Committee decided in October 2020 that in order to apply discretion, the maximum incentive available should be reduced. The scale of reduction needed to recognise the highly unusual situation and approach, whilst ensuring that an incentive effect was maintained; we decided to reduce the maximum vesting to 60% of the original award.

We then created a framework that the Committee would use to consider whether and to what extent discretion might be applied. The purpose of the framework was to ensure that vesting would only be permitted if good progress was made against key financial and strategic targets for the year. The framework was shared with the executives at that time and included the following three themes, with the first and third to be used mostly as filtering elements that would determine the appropriateness of activating a discretionary award, while the second – performance across the portfolio – would be the main determinant of the eventual award quantum:

1. Immediate actions – recognition of the positive impact that our COVID-19 actions have had on preserving value for our shareholders.

2. Performance across the portfolio – the Committee set out objectives to be achieved, which were a mix of financial measures and achievement of critical strategic actions that would strengthen the business. Given the varied impacts of COVID-19, this was most meaningfully done by component of the portfolio: Food excluding Sugar; Sugar; and Primark.

3. Wider stakeholders – underpinning all our considerations was ensuring fairness across our stakeholders and making sure executives and senior managers were not treated more favourably than other groups. This included the safety of our employees, fairness to suppliers, repayment where possible of job retention scheme monies received in 2020/21 to governments and restoring the dividend to our shareholders as well as paying a special dividend this year end.

Details of our assessment of performance against the framework we had established are set out on pages 126 to 128. However, the framework was not intended to give definitive answers and, at the end of the year, the Committee has assessed performance against the framework and has then stood back and looked across all of the evidence to determine a 'feels fair' outcome. On this basis, we determined that 40% of the shares originally awarded should vest.

Remuneration decisions for 2021/22

Proposed salary and fee increases

In our decentralised model, each business is given flexibility to set its own salary increase rates, which means that there is no one budgeted increase rate for our UK employees. UK salary increases this year will be in the range of 2% to 3.5% for those delivering an acceptable performance in role, with several of our largest businesses making increases of 3%. In Primark UK, a 3% increase will apply for office and management roles, including store department managers. Increases for store assistants and supervisors reflect local factors such as collective bargaining agreements. In the UK, increases for this population are expected to be at least 6% in 2021/22. After several years of salary freeze for George Weston, we intend to increase his salary by 2.7% this year, with an equivalent increase for John Bason. This is in line with increases for our wider employee population.

The fee paid to Michael McLintock has not increased since his appointment. We intend to make an adjustment to move his fee to £425,000.

Pensions

As previously disclosed, it has been agreed with John Bason that his cash allowance in lieu of pension will align with that of other employees from the end of 2022.

The Committee is mindful of the Employer Funded Retirement Benefit Scheme (EFRBS) for George Weston. His treatment is in line with that of other employees in a similar position. However, as outlined on pages 120 and 123 we will review our approach during the policy review next year.

STIP 2021/22

In 2020/21 we removed the working capital modifier from the STIP as COVID-19 uncertainty had the potential to drive large swings in inventory. This was intended to be a one-year change, but we now view the disruption risk to global supply chains as presenting an ongoing high level of uncertainty about inventory levels. We have therefore decided to remove the modifier this year as well.

LTIP 2020-23 and 2021-24

We delayed setting the LTIP performance range for 2020-23 to enable us to set a more stretching performance range. This range is shown on page 128.

The performance range for the 2021-24 LTIP has been set and is intended to be stretching whilst recognising the continuing uncertainty that COVID-19 brings. This range is shown on page 128.

LTIP 2019–22

In line with the approach taken for the 2018-21 LTIP, the Committee anticipates that it may be appropriate to apply discretion to allow some portion of this award to vest in November 2022. While we remain hopeful that widespread or long-lasting closures of Primark stores are now behind us, it is quite unrealistic to envisage Primark performance recovering yet to the sort of level it would have been at on its pre-COVID-19 trajectory. We are therefore creating a framework now that can inform the application of discretion at the end of the period. Any discretion would be exercised on the reduced 60% maximum. We will consult our largest shareholders before determining the appropriate outcome in 2022.

The approach to performance outlined above has required more than the usual level of Committee judgement, with both upwards and downwards discretion exercised. The Committee's perspective is that the resultant outcomes 'feel fair' given the circumstances and the achievements across the portfolio, and are in line with the principles of our established approach to performance assessment. The remainder of this report provides further details of the decisions the Committee has made, and I hope that our investors will be able to support our approach at the 2021 AGM.

Ruth Cairnie
Remuneration Committee Chair

Remuneration principles

Our remuneration approach needs to enable us to attract and retain top executive talent to promote the strategic and financial performance of the business. The remuneration principles, shown below, informed the design of our current Remuneration Policy.

Alignment, accountability and doing the right thing	Line of sight	Clarity and simplicity	Fairness
Our Board is accountable for ensuring that the portfolio that we operate is the right one to deliver optimal returns to shareholders and for ascertaining that our businesses are well run. Our Remuneration Policy aims to align executive rewards with shareholder value creation.	We aim to align remuneration and business objectives through performance measures to which individuals have line of sight.	We believe that executive pay should be clear and simple for participants to understand. The best way to achieve this is through alignment with business performance.	Total remuneration should fairly reflect the performance delivered and efforts made by executives.

The factors that the UK Corporate Governance Code identifies as important to consider are well covered by these principles: 'clarity and simplicity' is one of our key remuneration principles; predictability and alignment to culture are key threads through all of the principles; and risk and proportionality are particularly reflected in the importance that we attach to doing the right thing for the business for the long term, our focus on fair outcomes that consider wider stakeholders and our approach to the operation of discretion.

How our performance framework supports our strategy

The Group takes a long-term approach to investment and is committed to increasing shareholder value to deliver steady growth in earnings and dividends.

Remuneration element	Performance metrics		What they measure
Cash STIP **150% of salary maximum**	**Adjusted operating profit**		Operational performance
	Working capital modifier		Disciplined cash management – temporarily removed in 2020/21 and 2021/22 due to significant supply chain disruption that would have a distorting effect. It is expected to be applied in 2022/23
	Personal performance		Aligned to key business health and business performance goals, including ESG measures
Share STIP **50% of salary maximum**	**Adjusted operating profit**		Operational performance
	Working capital modifier		Disciplined cash management – temporarily removed in 2020/21 and 2021/22 as explained above
LTIP **200% of salary maximum**	**Adjusted earnings per share growth in the non-Sugar businesses**		Reflects the strategy of holding a portfolio of diverse businesses • Adjusted earnings per share growth in our non-Sugar businesses is a key measure of long-term success
	Downwards modifiers	**ROACE[1] in the non-Sugar businesses** **ROACE[2] in Sugar**	Focus on returns in both Sugar and non-Sugar businesses • ROACE in the non-Sugar businesses is intended as a safety net, and the performance range is set accordingly • Our Sugar business is held to deliver returns to our shareholders over the cycle, and sugar volatility is distorting in an earnings per share measure

1 The return on average capital employed in the non-Sugar businesses averaged over the performance period (see note 30 for a further definition)
2 The return on average capital employed in Sugar includes the book value of goodwill added to the denominator, for incentive purposes only

Share alignment and time horizons

Shareholding and alignment with shareholder interests are part of our culture and the commitment of our leaders to the long-term stewardship of the business. The Executive Directors have very significant shareholdings in the Company, well in excess of our shareholding requirement.

Incentive plan time horizons

LTIP awards vest after a three-year performance period and are subject to a further two-year holding period. STIP shares are released three years after being granted at the start of the performance period.

Track record of applying discretion

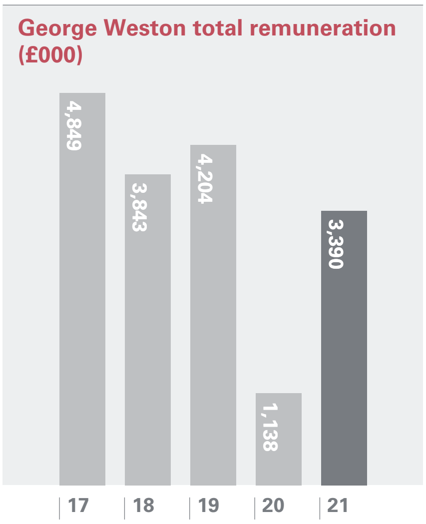
The Committee has a long history of applying discretion both to increase and reduce incentive outcomes consistent with the principles of fairness and of alignment, accountability and doing the right thing.

Remuneration outcomes

Base salary	George Weston asked not to be considered for any salary increase in the 2020/21 financial year. His last salary increase was in 2017. John Bason's salary was increased 2% to £734,000 on 1 December 2020. This was his first salary increase since 2017.
Pension	The Group has a wide variety of pension arrangements and a strong history of honouring the commitments we make to individuals at appointment. For example, our UK defined benefit pension scheme remains open to future accrual for members that joined the Group before it closed to new members. This principle has also applied to our incumbent executive directors. As we have disclosed in the past, employees who were in our UK defined benefit pension scheme when it closed to new members continue to accrue benefits under the scheme. George Weston participates in an EFRBS designed to replicate benefits under the UK defined benefit scheme and therefore his treatment is in line with the treatment of employees who were in a similar position. However the Committee recognises that this is different from the broad workforce of more recent recruits who participate in a defined contribution scheme and will make a decision on the future approach in the policy review next year. The Finance Director received a cash supplement of 25% of salary in lieu of pension contributions. This allowance will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.
STIP	As outlined in Ruth Cairnie's letter on page 117, the Committee has decided to apply discretion to reduce payment on the financial element of the STIP from 100% to 50% of maximum. The resulting STIP payments, taking into account personal performance, will be 80% of salary for George Weston and 81% of salary for John Bason.
LTIP	As outlined in Ruth Cairnie's letter on page 117, the Committee reduced the maximum number of shares that could vest to 60% of those allocated under the 2018-21 LTIP. The Committee then applied discretion to allow 40% of the allocated shares to vest based on the Committee's assessment of performance.
Non-executive directors' fees	Michael McLintock asked not to be considered for a fee increase in the 2020/21 financial year. His fee has not changed since his appointment in April 2018.

Total pay for 2021

The emoluments table can be found on page 123.



Implementation of Remuneration Policy in 2021/22

Base salary

Salaries for the executive directors will increase as shown below in December 2021, in line with increases for the workforce. See pages 130 to 132 for more details on alignment between executive and wider employee pay.

	Increase	Salary from 1 December 2021
George Weston	2.7%	£1,119,000
John Bason	2.7%	£754,000

Benefits and pension

No changes will be made to the structure of benefits and pensions for executive directors in 2021/22.

John Bason has agreed that his pension allowance will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.

As set out on the previous page, George Weston participates in an EFRBS.

STIP

For 2021/22 the STIP structure will remain unchanged. Up to 150% of salary can be earned under the cash element and up to 50% of salary can be earned under the shares element.

The split between financial and personal performance measures will be as shown in the table below. The working capital modifier, has again been removed for 2021/22.

The balance between financial and personal performance measures remains unchanged.

	Cash element as a % of salary					Shares element as a % of salary		
	Operating profit (A)	Working capital (B)	Financial element (AxB)	Personal element (C)	Overall cash element (AxB)+C	Operating profit (A)	Working capital (B)	Total (AxB)
Maximum	130%	x1	130%	20%	150%	50%	x1	50%
On-target (budget)	65%	x1	65%	13.33%	78.33%	25%	x1	25%
Threshold	12%	x1	12%	0%	12%	5%	x1	5%
Below threshold	0%	x1	0%	0%	0%	0%	x1	0%

The STIP shares will be granted in November 2021 and will lapse at the end of the year to the extent to which performance conditions have not been met. The balance of the shares will remain conditional and will be deferred for a further two years. Malus and clawback provisions apply to STIP awards for up to two years after being paid.

Achievement against financial targets will be disclosed in our 2022 Remuneration Report.

LTIP

LTIP awards will be granted in November 2021. Vesting will be based on performance against the following measures, as set out in our Remuneration Policy:

- adjusted earnings per share growth in the non-Sugar businesses;
- modifier for ROACE in the non-Sugar businesses averaged over the performance period; and
- further modifier for Sugar ROACE (with the book value of goodwill added to the denominator) averaged over the performance period.

The performance ranges are set out on page 128.

Maximum award opportunities (% of salary)

George Weston	200%
John Bason	200%

A two-year post-vesting holding period applies to net of tax shares. Malus and clawback provisions apply for up to two years after vesting.

Shareholding requirement

Requirement to own Company shares beneficially to a value of at least 250% of salary.

Conditional awards do not count. Shares that have vested and are subject to a holding period do count. At least 50% of net shares vested under STIPs and LTIPs must be held until the shareholding requirement is met.

About the Remuneration Committee

Role of the Committee

The Committee is responsible to the Board for determining:

- the Remuneration Policy for the executive directors and the Chairman, considering remuneration trends across the Company and externally;
- the specific terms and conditions of employment of each individual executive director;
- the overall policy for remuneration of the Chief Executive's direct reports;
- the design and monitoring of the operation of any Company share plans;
- stretching performance targets for executive directors to encourage enhanced performance;
- an approach that fairly and responsibly rewards contribution to the Company's long-term success; and
- other provisions of the executive directors' service agreements and ensuring that contractual terms and payments made on termination are fair to the individual and Company, and that failure is not rewarded and loss is mitigated.

The Committee's remit is set out in detail in its terms of reference, which are reviewed regularly to ensure that they are compliant with the latest corporate governance requirements and were most recently updated in October 2019. They are available on request from the Company Secretary's office or in the corporate governance section of our website at www.abf.co.uk.

Members of the Remuneration Committee

In the financial year and as at the date of this report, members and Chair of the Committee have been as follows:

	Role on committee	Independence	Year of appointment	Meetings attended
Ruth Cairnie	Chair	Senior Independent Director	2014	5/5
Wolfhart Hauser	Member	Independent Director	2015	5/5
Richard Reid	Member	Independent Director	2016	5/5
Michael McLintock	Member	Chairman	2017	5/5
Graham Allan	Member	Independent Director	2018	5/5
Heather Rabbatts	Member	Independent Director	2021	2/2

George Weston (Chief Executive), Sue Whalley (Chief People and Performance Officer), and Julie Withnall (Group Director of Reward) attend the meetings of the Committee. No individual is present when their own remuneration is considered.

Board review feedback on the Committee

The performance of the Remuneration Committee was considered in the external Board evaluation, which found that the Committee was universally regarded as being strong and effective. The Committee was found to benefit from excellent support, quality papers that are concise and clear, a forward agenda that is concise and useful, a practice of addressing issues at an early stage, good external support and good knowledge of current developments and trends in the external market. The general consensus from feedback given in the evaluation was that the Committee had navigated well through the various challenges posed by difficult COVID-related issues.

Directors' Remuneration Policy

The Company's Remuneration Policy was approved by shareholders on 6 December 2019. It is available in the corporate governance section of our website at www.abf.co.uk.

Single total figure of remuneration for executive directors (audited)

		George Weston		John Bason	
		2021 £000	2020 £000	**2021 £000**	2020 £000
Fixed pay	Salary[2]	**1,082[1]**	813[1]	**744**	554
	Benefits[3]	**16**	16	**16**	16
	Pension[4,5]	**387**	309	**186**	179
		1,485	1,138	**946**	749
Variable pay	STIP (inc deferred shares)[6,7]	**1,153**	–	**780**	–
	LTIP[8,9]	**752**	–	**495**	–
		1,905	–	**1,275**	–
Single total figure		**3,390**	1,138	**2,221**	749

1 Salary paid is reduced for pension-related salary sacrifices. The benefit of these salary sacrifices is captured in the pension entitlements shown.
2 Salaries for 2020 reflect the temporary 50% reduction from April 2020 to the end of the financial year whilst salaries for 2021 reflect a 53rd week in the financial year.
3 Includes benefits taken in cash in 2021 of £14,437 for George Weston and £14,437 for John Bason. Also includes benefits in kind in 2021 of £2,008 for George Weston and £1,714 for John Bason. Benefits in kind include the taxable values of a company car, family private medical insurance, permanent health insurance, life assurance and an annual medical check-up.
4 While the nature of George Weston's pension benefits has not changed during the year, the pensions number for remuneration purposes has increased. This year's amount is higher than last year's due to a reduction in CPI to 0.5% at the start of this year from 1.7% at the start of last year.
5 John Bason is paid a pension allowance of 25% of salary, which is reported in the pensions row on this table for clarity, although it is strictly a taxable benefit.
6 The STIP value includes the cash and deferred share elements earned for performance in the year. For George Weston this comprises a cash element of £872,000 and a deferred award value of £280,977. For John Bason this comprises a cash element of £594,864 and a deferred award value of £185,602. For 2020/21 the financial performance outcome was at 50% of maximum. These calculations are based on the salary rates for the executives of £1,090,000 for George Weston and £734,400 for John Bason. The value disclosed for the deferred award is estimated using the average closing price over the last quarter of the 2020/21 financial year of 2083.78p. This will be recalculated for the actual share price on the vesting date and disclosed in next year's annual report. None of the value shown for 2020/21 is attributable to share price appreciation. For 2019/20 the performance condition was not met.
7 The directors are also paid dividend equivalents in respect of STIP shares. These are not included in the single total figure as the amounts do not relate to the periods being reported on. For George Weston this payment will be £13,779. For John Bason this payment will be £8,444.
8 On exercise of Remuneration Committee discretion, 40% of the shares under the LTIP for 2018–21 will vest on 19 November 2021. George Weston will receive 34,642 shares plus a dividend equivalent payment of £29,740 and John Bason will receive 22,882 shares plus a dividend equivalent payment of £18,226. As required by UK regulations, the vesting value under the LTIP for 2018-21 has been estimated using the average closing price over the last quarter of the 2020/21 financial year of 2083.78p. This will be recalculated for the actual share price on the vesting date and disclosed in next year's annual report. None of the value shown for 2020/21 is attributable to share price appreciation.
9 The 2020 LTIP value is based on 2017–20 awards which lapsed in November 2020 as the performance measure was not met.

Pensions

In 2020/21 George Weston had an overall benefit promise of 1/45th of final pensionable earnings for each year of pensionable service up to 5 April 2016 and 1/50th of final pensionable earnings for each year of pensionable service thereafter, subject to a maximum of 2/3rds of final pay (basic salary during the last 12 months before retirement, plus if applicable, the average of the last three years' fluctuating earnings).

He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and has a deferred benefit in the Scheme; the balance of the promise is provided under an EFRBS. His pension benefits are payable from age 65. No alternative defined benefit arrangements are available to any member who chooses to take their benefits early. His accrued pension at 18 September 2021 was £693,361 per annum.

As we have disclosed in the past and as set out on page 120, employees who were in our UK defined benefit pension scheme when it closed to new members continue to accrue benefits under the scheme. George Weston's EFRBS participation is consistent with this approach. However the Committee will review George Weston's pension provision as part of the executive Remuneration Policy review.

In the period to 24 April 2019, John Bason had an overall benefit promise at age 62 of 2/3rds of final pay, less the value of retained benefits from his previous employment. He opted out of the Associated British Foods Pension Scheme on 5 April 2006 and subsequently drew his benefits in the scheme; the balance of the promise was provided under an EFRBS. His pension benefits were payable from age 62 and have been settled.

Since then, he has been in receipt of a cash supplement of 25% of salary in lieu of pension contributions. This approach was significantly more cost effective for the Company than extending the previous arrangements and was consistent with the approach for other new joiners at executive level under the 2016 Remuneration Policy. Our largest shareholders were consulted in late 2018 and were supportive of this approach.

John Bason has agreed that his cash supplement in lieu of pension contributions will reduce to 10% of salary, in line with the UK workforce, by the end of 2022.

2020/21 STIP – achievement against financial targets

At the start of 2020/21, when the Committee was setting the STIP performance range, there was great uncertainty about the likely impact of COVID-19 on Primark's trading in the coming year. In developing the STIP profit targets, our Food businesses were treated in the usual way, but for Primark we wanted to take account of the potential for some store closures to occur. We developed a mechanism so that the Primark part of the adjusted operating profit target would reflect the estimated impacts of any closures that occurred in practice. We considered this to be a more robust approach than making arbitrary assumptions about the potential level of closures, which was clearly impossible to predict.

Once the status of each store (open or closed) is known for each day, it is straightforward to calculate the corresponding operating profit target under the mechanism. However, there are a vast number of potential outcomes. The table below provides a selection of scenarios to illustrate how the mechanism was expected to work. This includes the operating profit required to achieve a maximum payout in the case of no store closures through the year (deemed highly unlikely); the level required to achieve maximum given the actual level of store closures in Period 2; the same for the actual closures in Period 3; and finally, the impact of the full year level of closures.

Profit if all stores had been open all year £m	Period[1]	% of store days lost in period	Impact on profit of store closures £m	Maximum profit using mechanism £m	Actual profit performance £m
	Period 2	14%	(29)	1,335	
1,364	Period 3	53%	(116)	1,248	1,011
	Full year	35%	(642)	722	

1 ABF reports internally based on 13 periods, each of four weeks.

When the mechanism was set, the expectation was that store closures in the year would most likely be on a local and fairly short-lived basis. In practice, the number and duration of closures greatly exceeded that expectation. A consequence, not foreseen in the mechanism, was that when stores were open the sales that we did have were concentrated into fewer trading days, resulting in higher profitability than the mechanism anticipated. Thus, at high levels of store closures, the mechanism did not work as we had intended. As shown above, after a year when 35% of the trading days were lost, the actual profit performance was significantly ahead of the calculated maximum.

Our Food businesses delivered a very strong financial performance in 2020/21. All divisions were ahead of budget. At constant currency the combined adjusted operating profit for our Food businesses was 10% ahead of the 2020 financial year, which in turn was 26% ahead of 2018/19. We have also seen strong strategic progress this year across the portfolio including continuous improvement programmes in Illovo, delivering strong commercial outcomes and exceptional profit levels, while Agriculture has been reshaping its business for the future.

Management and the Committee did not think it appropriate for the STIP to be paid at maximum. The financial element of the STIP will be paid at an on-target level in Primark rather than using the calculated maximum outturn. While the STIP financial outcome in our Food businesses in aggregate is ahead of target, on balance the Committee has determined that an on-target payment is appropriate for the financial performance element of the STIP for those measured on Group performance, including the executive directors. Accordingly, the Committee exercised downwards discretion to reduce payments on the STIP financial element.

2020/21 STIP – personal performance

<table>
<tr><th></th><th></th><th>George Weston – outcome 15/20</th><th>John Bason – outcome 16/20</th></tr>
<tr><td rowspan="2">Business performance</td><td>Divisional financial and operational objectives</td><td colspan="2">• Excellent cash and balance sheet management to deliver £1.9bn of net cash excluding lease liabilities at the end of the year despite ongoing COVID-19 uncertainty and store closures.
• Reopening of the Vivergo bioethanol plant to support the UK Government's E10 agenda.
• AB Mauri's joint venture with Wilmar in China now up and running and delivering to plan.
• Excellent management of Primark store reopenings and closures. UK market share was retained; data for the clothing, footwear and accessories markets for the 12 weeks from 31 May to 22 August showed that Primark had the same value share of the total market compared to the same period two years ago.</td></tr>
<tr><td>Development and delivery of strategies</td><td>• Dividend payments have been resumed following a period of very strong cash management
• Work underway on significant investment projects in China, Australia, India, USA and Europe across the Food businesses to support growth, business improvement and the ESG agenda</td><td>• Dividend payments have been resumed following a period of very strong cash management
• High investment-grade rating achieved to support any future financing strategy
• Completion of a number of acquisitions in the Ingredients and Agriculture divisions to strengthen propositions and emerging businesses</td></tr>
<tr><td rowspan="2">Business health</td><td>People and organisation</td><td>• Extensive communication and engagement with leadership teams and small groups of colleagues throughout the Group to provide context and support during COVID-19
• New structures and ways of working in place to support ESG agenda, including the establishment of a new Corporate Responsibility Hub
• Increased profile of diversity, equity and inclusion initiatives in all businesses underpinned by enhanced strategies and plans. Expansion of Women in ABF across the Americas</td><td>• Onboarding of new Group Financial Controller
• New finance development programme in place across the Group against refreshed vision and priorities for finance talent
• Diversity, equity and inclusion has become a key factor for all Group-led finance development work with equal gender representation in the new finance programme</td></tr>
<tr><td>Developing long-term business health</td><td>• Enhanced dialogues with businesses on how employee engagement processes and resulting actions are progressing
• Progress on safety continues with lost time injuries now seven times lower than in 2005</td><td>• Work to prepare for Brexit was rewarded with no surprises and a relatively smooth transition. We continue working to influence the post-Brexit agenda.
• Significant preparatory work to put the Group in a strong position for the first year of TCFD reporting in 2021/22, with extensive research on scenario impacts across the Group and development of approaches to measurement</td></tr>
</table>

Executive directors' shareholding and scheme interests

Scheme interests (audited information)

The tables below detail the conditional share interests held by the executive directors as at 18 September 2021. The awards made were in line with the Remuneration Policy in place at the time.

LTIP

Vesting of LTIP awards is subject to meeting performance conditions over the performance period. A further two-year post-vesting holding period applies to net of tax shares.

			Maximum award				Shares vesting			
	Scheme	Award date	% of salary	Face value at grant £000	Market price at grant[1]	End of performance period	Maximum	Target (50% of maximum)	Threshold (10% of maximum)	Release date
George Weston	LTIP	19/11/18	200%	2,180	2517.2p	18/09/21	86,604	43,302	8,660	19/11/21
		09/12/19	200%	2,180	2507.4p	17/09/22	86,943	43,473	8,694	21/11/22
		20/11/20[2]	200%	2,180	2020.9p	16/09/23	107,873	53,937	10,787	20/11/23
John Bason	LTIP	19/11/18	200%	1,440	2517.2p	18/09/21	57,206	28,603	5,721	19/11/21
		09/12/19	200%	1,440	2507.4p	17/09/22	57,430	28,715	5,743	21/11/22
		20/11/20[2]	200%	1,440	2020.9p	16/09/23	71,255	35,628	7,126	20/11/23

1 The share price used to determine the number of shares allocated is the average closing price on the five trading days immediately preceding the award
2 The performance range for this award is set out on page 128

STIP – shares

The value of deferred STIP shares released is determined based on the achievement of the STIP performance conditions.

			Maximum award					Deferred awards		
	Scheme	Award date	% of salary	Face value at grant £000	Market price at grant[1]	End of performance period	Maximum shares	Shares lapsed for performance	Shares subject to service condition	Release date
George Weston	Deferred awards	19/11/18	50%	545	2517.2p	14/09/19	21,651	5,601	16,050	19/11/21
		09/12/19	50%	545	2507.4p	12/09/20	21,736	21,736	–	21/11/22
		20/11/20	50%	545	2020.9p	18/09/21	26,968	13,484	13,484	20/11/23
John Bason	Deferred awards	19/11/18	50%	360	2517.2p	14/09/19	14,302	3,700	10,602	19/11/21
		09/12/19	50%	360	2507.4p	12/09/20	14,358	14,358	–	21/11/22
		20/11/20	50%	360	2020.9p	18/09/21	17,814	8,907	8,907	20/11/23

1 The share price used for determining the number of shares in an allocation is the average closing price on the five trading days immediately preceding the award date.

LTIP 2018–21

The table below shows details of the targets set (adjusted for the impact of IFRS 16) and performance achieved.

		Threshold	Target	Maximum	Performance	Calculated outcome	Discretionary outcome
40% of award	Group adjusted earnings per share	154p	167p	181p	80.1p	0%	
	ROACE downward modifier	10%	11%	12%	9.88%	n/a	
						0%	
60% of award	Group adjusted earnings per share in the non-Sugar businesses	147p	159p	173p	72.1p	0%	
	ROACE downward modifier	10%	11%	12%	10.30%	n/a	
						0%	
	Vesting as % of maximum					0%	40%

The default position would be that no shares vest. However, as explained in the Committee Chair's letter on page 117, we considered at the start of 2020/21 the possibility of applying the Committee's discretion to allow a part of the award to vest. We capped any such discretionary vesting at 60% of the allocated shares and defined a framework to inform our potential application of discretion. The framework was shared with executives at the start of 2020/21. At the end of the year, we assessed performance and progress against the framework we had set and decided, for the reasons set out below, that 40% of the allocated shares should vest. This outcome was informed by the framework but not calculated mechanically and the final decision was based on the Committee's judgement, recognising that this approach lies outside normal practice. However, we believe that exceptional performance in exceptional circumstances merits an exceptional approach.

Performance taken into account

Immediate actions to preserve and deliver value for our shareholders

The actions listed here, taken in 2019/20 but continued in 2020/21, were a filtering factor to determine whether the application of discretion was appropriate.

- Fast and decisive management action in 2019/20 reduced the impact of cash outflows from Primark closures, requiring careful work with suppliers and partners. Preparing for reopenings was equally challenging and this cycle was repeated in 2020/21.
- Cash needed to be conserved in the Food businesses even as many were under extreme pressure to produce higher volumes while investing in PPE and equipment to ensure all our factories were safe places for our people to work.
- Overall careful management of cash led to a healthy closing cash balance of £1.6bn in September 2020 and £1.9bn in September 2021, enabling continued progress and investment in growth across the businesses as well as payment of a special dividend to be paid on 14 January 2022.

Performance across the portfolio – strengthening and developing the business

This assessment provided the main input to the Committee's determination of an appropriate quantum for vesting. The performance elements were determined and shared with the senior executives at the start of this financial year.

Performance element	Performance context and outcome	Outcome
Food excluding Sugar	The Food businesses have delivered average annual growth of 5% over the past 15 years, founded on selective and well-executed acquisitions, strengthening market positions and sustaining key brands. This trajectory has continued over the LTIP performance period. Average annual growth in Food profitability excluding Sugar was affected by the recent impacts of commodity price inflation, especially in corn oil, but still reached compound annual growth of 4.5% over the last three years, in line with its expected contribution to groupwide LTIP targets. Examples of strategic progress include: • the successful integration and nurturing of Acetum, Anthony's Goods and Yumi's; • implementation of successful wellness branding in Twinings and revised brand positioning in Ovaltine's key markets; and • progress in delivering an extensive series of investment opportunities to drive future growth in the Foods businesses.	Around target
Sugar	The critical objective for Sugar has been to achieve above cost-of-capital returns over the cycle, following the disruption caused by deregulation in Europe. The outcome in 2020/21 was 9.5% on a comparable basis to the target set for the year of 7.5%. There has been significant progress compared with a return of below 2% in 2018/19 (on an IFRS 16 pro forma basis), driven over the period by actions to maintain cost competitiveness particularly in British Sugar, the adoption of cost-improving initiatives in Illovo, and in the past year work on route to market and pricing strategy in Africa that have delivered higher sales and an improved sales mix. We assess this progress as ahead of our expectations, and the impairments this year in Azucarera and elsewhere as necessary steps to recognise and address structural long-term challenges. The return of 9.5% includes the book value of goodwill, which we include for remuneration purposes only, and reverses the impact of impairments out of the capital employed, which reduces ROACE for remuneration purposes. The reported ROACE of 10.2% excludes impairments in the denominator.	Exceeds
Primark	With enforced store closures, Primark could not deliver the performance anticipated in the Group LTIP targets, which assumed a Primark operating profit of more than £1bn compared to the £321m achieved. This outcome was seen as very creditable in the circumstances, but Primark's performance has been assessed against a mix of operational, financial and strategic measures: • Primark like-for-like sales compared with 2018/19 were 85% in the first half and 91% in the second half, against a target set for the year of 85% (reflecting some ongoing restrictions and the impacts of COVID-19 on footfall and customers' buying behaviour). • Primark second half margins before repayment of job retention scheme monies were above 10%, against a target of 9%, achieved through great attention to detail in managing the shopping experience, the offer and inventory levels. • 15 new stores opened in the year, with successful store re-sizing and improved in-store experience in the US. We were able to initiate moving ahead with a substantial US expansion plan. • We have accelerated investment in a new and improved customer-facing website to respond to changing customer behaviours and needs resulting from COVID-19. The new website will showcase much more of the Primark range and provide customers with information on ranges by store. We are also improving the underlying business through a programme of warehouse automation that is progressing well, and through the implementation of the Oracle programme across the whole supply chain.	Around target

Performance element	Performance context and outcome	Outcome (of reduced maximum)
ESG	Primark Cares was launched successfully. This is a new holistic positioning that communicates Primark's ESG ambition related to the products we sell, reducing our carbon impact and improving the lives of people in our supply chain. Notable elements include an increased proportion of items made from sustainable, organic and recycled materials, a reduction in plastic and a commitment to reduce significantly greenhouse gas emissions in our supply chain. The launch included extensive implementation plans and proof points. ESG progress was supported by two ESG days for investors. The first outlined our Group-level approach and how this fits with our operating model, and showcased the breadth and depth of ESG activity underway across the Group. The second communicated our launch of Primark Cares.	Exceeds

Interests of our wider stakeholders
These actions were also primarily intended as a filter to assess whether application of discretion would be appropriate.

- Our people – we rapidly established and maintained safe working conditions, supporting physical and mental health. We have not instigated redundancy programmes related to the pandemic and are creating new jobs as we open new Primark stores.
- Our shareholders – we have resumed dividend payments.
- Our customers – by keeping our factories running we played a critical role in keeping food supply chains operating.
- Governments – we were one of the first companies to decide not to use the UK Job Retention Bonus. All job retention scheme monies received this year have been repaid wherever possible.
- Suppliers – we have engaged to provide financial support to suppliers as we reinstated orders and deliveries step-by-step.

LTIP – 2020/21 awards (vesting in 2023) and 2021/22 awards (vesting in 2024)

The performance ranges for the 2020-23 LTIP are below:

	Group adjusted earnings per share without Sugar in 2022/23			Modifier – Group ROACE without Sugar over four years		Modifier – Sugar ROACE over four years	
	Threshold	Target	Maximum	Threshold	Maximum	Threshold	Maximum
Shares vesting as % of award	10%	50%	100%				
Modifier				80%	100%	80%	100%
Performance range	125p	132p	142p	10%	12%	5%	8%

The performance ranges for the 2021-24 LTIP are below:

	Group adjusted earnings per share without Sugar in 2023/24			Modifier – Group ROACE without Sugar over five years		Modifier – Sugar ROACE over five years	
	Threshold	Target	Maximum	Threshold	Maximum	Threshold	Maximum
Shares vesting as % of award	10%	50%	100%				
Modifier				80%	100%	80%	100%
Performance range	132p	142p	152p	10%	12%	5%	9%

The adjusted earnings per share performance ranges above are intended to be stretching. The Committee conducted an analysis of the growth potential and challenges facing each of the divisions over the performance period. These ranges were tested to ensure they were sufficiently stretching.

The Group ROACE without Sugar modifiers are set at a level intended to guard against poor investment decisions. It is not set at a level that is intended to drive growth in returns and acts only as a downward modifier to the calculated incentive outcomes.

The Sugar return range is measured over four years for the 2020/21 award and increases to five years for the 2021/22 award to capture highs and lows in world sugar prices. This modifier acts only as a downward modifier to incentive outcomes. The Sugar performance for incentive payments will have the impairments taken in 2020/21 added back into the denominator to ensure that there is no unintended benefit for executives from taking these write downs.

Executive directors' shareholding requirements (audited information)

The interests below as at 18 September 2021 remained the same at 5 November 2021. Both directors have met our shareholding requirement.

	Holding requirement	Beneficial	Beneficial as % of salary[1]	LTIP awards subject to performance condition	Unvested deferred awards	Total 18 September 2021	Total 12 September 2020
George Weston[2]							
Wittington Investments Limited, ordinary shares of 50p	n/a	6,328	n/a	n/a	n/a	6,328	5,940
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	3,768,790	6,537%	281,420	70,355	4,120,565	3,950,264
John Bason							
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	250% of salary	187,550	483%	185,891	46,474	419,915	383,717

1 Calculated using share price as at close of business on 17 September 2021 of 1890p and base salary as at 18 September 2021.
2 George Weston is a director of Wittington Investments Limited which, together with its subsidiary Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 18 September 2021.

Non-executive directors' remuneration and share interests

Non-executive directors' fees

	Fees effective 1 Dec 2021	Fees effective 1 Dec 2020
Chairman	**£425,000**	£410,000
Additional fee for Senior Independent Director responsibilities	**£21,000**	£21,000
Additional fee for Committee Chair (Audit/Remuneration only)	**£23,500**	£23,500
Additional fee for responsibility for workforce engagement	**£23,500**	£23,500
Additional fee for chairing Primark Finance and Risk Committee	**£19,000**	£19,000
Director	**£76,000**	£74,000

Fees were reviewed during 2021 and it was determined that the fee for the Chairman should be increased to £425,000 and for the non-executive directors should be increased by £2,000. The Chairman's fee had not been increased since his appointment as Chairman in 2018.

Non-executive directors' remuneration (audited information)

	Fees		Fixed pay		Variable pay		Single total figure of remuneration	
	2021 £000	2020[2] £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Michael McLintock	**417**	362	**417**	362	**–**	–	**417**	362
Ruth Cairnie	**120**	102	**120**	102	**–**	–	**120**	102
Richard Reid	**145**	102	**145**	102	**–**	–	**145**	102
Emma Adamo	**75**	65	**75**	65	**–**	–	**75**	65
Wolfhart Hauser	**75**	65	**75**	65	**–**	–	**75**	65
Graham Allan	**75**	65	**75**	65	**–**	–	**75**	65
Heather Rabbatts[1]	**41**	–	**41**	–	**–**	–	**41**	–

1 Heather Rabbatts joined the Board on 1 March 2021.
2 Fees were temporarily reduced by 25% from 1 April 2020 to the end of the 2020 financial year due to the impact of COVID-19.

Non-executive directors' shareholdings and share interests (audited information)

Non-executive directors are encouraged to hold shares to a value equal to their annual fees. The following shareholdings are ordinary shares of Associated British Foods plc unless stated otherwise. The interests remained the same at 9 November 2021.

	Total 18 September 2021	Total 12 September 2020	2021 total holding as % of annual fee[2]
Michael McLintock	**24,000**	15,000	111%
Ruth Cairnie	**5,223**	5,223	83%
Richard Reid	**3,347**	3,347	45%
Emma Adamo[1]			
Wittington Investments Limited, ordinary shares of 50p	**1,322**	1,322	n/a
Associated British Foods plc, ordinary shares of $5^{15}/_{22}$p	**504,465**	504,465	12,884%
Wolfhart Hauser	**3,918**	3,918	100%
Graham Allan	**6,000**	6,000	153%
Heather Rabbatts	**–**	–	0%

1 Emma Adamo is a director of Wittington Investments Limited which, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 18 September 2021.
2 Calculated using share price as at close of business on 17 September 2021 of 1890p and fee rate as at 18 September 2021.

Directors' service contracts

	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive directors					
George Weston	19/04/99	01/06/05	12 months	12 months	Rolling contract
John Bason	04/05/99	19/08/19	12 months	12 months	Rolling contract
Non-executive directors					
Michael McLintock	01/11/17	11/04/18	6 months	6 months	Rolling contract
Emma Adamo	09/12/11	09/12/11	6 months	6 months	Rolling contract
Ruth Cairnie	01/05/14	11/04/18	6 months	6 months	Rolling contract
Wolfhart Hauser	14/01/15	14/01/15	6 months	6 months	Rolling contract
Richard Reid	14/04/16	13/04/16	6 months	6 months	Rolling contract
Graham Allan	05/09/18	05/09/18	6 months	6 months	Rolling contract
Heather Rabbatts	01/03/21	16/02/21	6 months	6 months	Rolling contract

Copies of service contracts are available for inspection at the Company's head office.

Fair pay

Associated British Foods is a diversified business that currently operates in 53 countries and employs 128,000 people working across our five business segments. Our people are central to our business and we pride ourselves on being a first-class employer.

As an international business we have a duty to operate responsibly and want to ensure that the people who work in our businesses are paid fairly. We support the work of governments to ensure that minimum wages are sufficient to allow employees to have an acceptable standard of living. Our businesses, each of which is responsible for setting and managing its own remuneration approach, operate in line with the principles set out below and in compliance with all local laws.

Pay should be appropriate and market-competitive
- Appropriate for the employee's role, experience and skills.
- Local market conditions (industry/location/cost of living) should be considered when setting pay levels.

Pay should be free from discrimination
- Pay should not be impacted by an individual's age, gender, sexual orientation, ethnicity or other characteristics.

Pay should be intuitive and explainable
- Fixed pay will meet or exceed all legal minimum standards and appropriate industry standards (such as collective bargaining agreements).
- The business should be able to explain how employees' pay has been calculated so that it is easy to understand.
- Employees should always receive compensation regularly, in full and on time.

Employee engagement

We value the opinions of our people and many of our businesses undertake regular engagement surveys, encouraging their employees to provide honest feedback about their jobs, workplaces and overall satisfaction. Through this mechanism, as well as by talking to their HR colleagues, works councils and unions, employees can also feed back their views on executive remuneration.

Our 2021 Responsibility Update provides further details of how we develop and engage with our employees. On behalf of the Board, Richard Reid is the designated non-executive director for engagement with the workforce. More information can be found on page 102.

Directors' pay in the context of the Group's wider pay practices

The Committee has regard to workforce remuneration and related policies across the Group and ensures alignment of incentives and reward with the Company's culture when determining the Remuneration Policy for directors.

The table below summarises the remuneration structure for the wider workforce:

	Below the Board	Executive directors
Salary	Salary increase budgets are determined by each of the businesses for each country, taking into account country-specific conditions such as inflation. Salary increases are then determined by line managers based on factors such as development in role and local market practice. Salaries are benchmarked against the wider market to ensure that we are able to recruit and retain talented people. We review the ratio of the Chief Executive's pay to that of our UK employees in the next section of this Remuneration Report.	Salary increases are normally aligned with those of the wider workforce. Consistent with the wider workforce, salaries are also set competitively against peers in support of the recruitment and retention of executive directors.
STIP	In our decentralised model the approach to incentives varies by division. This is consistent with our line of sight approach and ensures that the design is appropriate for the strategy of each business and takes account of local market practice. There is a common governance framework, with central oversight, for signing off all changes to incentive design to ensure that risks are mitigated and cultural considerations are appropriately taken into account. The key performance measures of adjusted operating profit, working capital and personal performance are commonly used across the Group. Where appropriate, other measures, including ESG goals, are used to drive focus on strategic imperatives. As employees progress and are promoted, their target and maximum bonus increase.	The STIP for executive directors is primarily based on the financial performance of the Company. STIP share awards are made for 25% of the total STIP payment and are deferred for a further two years after the performance condition has been met.
LTIP	We make share-based LTIP awards to around 170 of our most senior managers across the Group to support the remuneration philosophy of incentivising superior long-term business results and shareholder value creation. The performance measures for around a third of participants are aligned fully or partially to those of the executive directors. For other participants, the appropriate measures are agreed with the individual business. We also operate a cash LTIP in some regions and divisions to ensure long-term incentivisation for a wider population of senior managers. All of our LTIPs have a performance period of at least three years with some being up to five years. Awards are made as a percentage of base salary.	Executive directors' LTIP grants are performance share awards, granted by reference to a percentage of salary. Awards vest subject to achievement of performance conditions. In addition to the LTIP's three-year performance period, executive directors are subject to an additional two-year holding period.
Pension	A pension/provident fund is offered to our employees in line with local market requirements and practices, including, in some cases, defined benefit arrangements. Exceptions to this are countries where pension provision is not prevalent in the local market and/or is provided by the state. In the UK, newly appointed employees and executives of all ABF companies are entitled to receive a company pension contribution that matches their own contribution to a maximum of 10% of salary. They are eligible to take some or all of this as a cash alternative if subject to the lifetime or annual allowance. In certain countries, including the UK and Ireland, longer-serving employees continue to participate in and accrue benefits under defined benefit pension schemes which are closed to new members.	Newly appointed executive directors are eligible to receive a company pension contribution of up to 10% of salary in line with the wider workforce in the UK. They are eligible to take some or all of this as a cash alternative if subject to the lifetime or annual allowance.
Benefits	In our decentralised model, we expect our businesses to ensure that core benefits provided to employees in each country remain appropriate and local market competitive. For example, in our African sugar businesses, outside South Africa, we have onsite clinics/hospitals (dependent on country) available to our employees and their families to ensure that they have access to healthcare. In other locations such provision may be state provided or may be covered by insurances that we offer as a benefit to employees.	Executive directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare. In addition, executive directors are eligible for benefits available to the wider workforce.

CEO Pay Ratio

Year	Methodology used	Lower quartile	Median	Upper quartile
2020/21	Option B	171:1	155:1	115:1
2019/20	Option B	79:1	70:1	48:1
2018/19	Option B	253:1	238:1	169:1

We have chosen to use Option B of the available methodologies to calculate our CEO Pay Ratio. Given the complexity of our Group, this approach enables us to use existing gender pay data for Great Britain (GB) as a foundation for our calculations. We determined the hourly rates at each quartile of our 5 April 2020 gender pay data then calculated the average annual salary and total remuneration for each quartile as each point represents multiple individuals. We pro-rated the data for part-time individuals to reflect full-time equivalent remuneration.

The employees for the lower quartile data point are Primark employees, at median they are from Primark and Allied Bakeries and at upper quartile they are from nine of our businesses. This data is considered to be broadly representative of total remuneration across our workforce in the UK. However, many of our early career employees are in Primark and this is reflected in the data, with those in the Food businesses typically later in their careers and with remuneration at higher levels reflecting their skills and experience.

The median ratio has increased since last year as George Weston's salary was reduced for a significant part of 2019/20 and no STIP or LTIP was earned for that year, whereas this year he will be paid an STIP and the LTIP will vest. Compared with 2018/19, the pay ratio has decreased, reflecting increases in salaries for the workforce in this period and a lower level of incentive paid to George Weston this year than in 2018/19. Whilst based on data for GB only, this year's pay ratio reflects the relationship between the Chief Executive's pay and the experience of UK employees as a whole.

	Lower quartile	Median	Upper quartile
Salary	£18,381	£19,384	£27,774
Single figure of total remuneration	£19,775	£21,888	£29,422

Annual percentage change in remuneration of directors and employees

	2021 % change in salary/fees	**2021 % change in benefits[6]**	**2021 % change in cash STIP[7]**	2020 % change in salary/fees[8]	2020 % change in benefits[2]	2020 % change in cash STIP[3]
Executive directors						
George Weston[1]	**33.09%**	**0%**	**100%**	-23.52%	0%	-100%
John Bason[2]	**34.30%**	**0%**	**100%**	-21.19%	-23.81%	-100%
Non-executive directors						
Average for non-executive directors who do not chair Board Committees[3]	**15.38%**	**n/a**	**n/a**	-12.16%	n/a	n/a
Michael McLintock[4]	**15.19%**	**n/a**	**n/a**	-11.49%	n/a	n/a
Ruth Cairnie[5]	**17.65%**	**n/a**	**n/a**	-8.11%	n/a	n/a
Richard Reid[5]	**42.16%**	**n/a**	**n/a**	-8.11%	n/a	n/a
Average UK Associated British Foods parent employee	**4.7%**	**3.9%**	**167%**	0.7%	2.90%	-63%

1 George Weston's rate of salary did not increase between 2019/20 and 2020/21
2 John Bason's rate of salary increased by 2.0% in line with other UK-based employees.
3 There has been no change to the base fee rate in this period.
4 There has been no change to the Chairman's fee in this period.
5 In 2020 the Committee Chair fee increased and, in addition, Richard Reid took on additional responsiblities in the period, which is reflected in the numbers above.
6 Benefits data is calculated on the same basis as the benefits data in the single figure table on page 123 and includes benefits in kind and benefits taken in cash but excludes any pension allowances.
7 Includes cash STIP payments only and for 2019/20 reflects the fact that no payment was earned on financial performance measures and that for John Bason and George Weston no personal STIP was paid.
8 Average data for 2019/20 includes data for individuals who had COVID-19 related salary reductions. George Weston and John Bason's salaries were reduced by 50% for nearly half of 2019/20. The Chairman and non-executive directors had their fees reduced by 25% for a significant portion of 2019/20.

Relative importance of spend on pay

A year-on-year comparison of the relative importance of pay with significant distributions to shareholders and others is shown below:

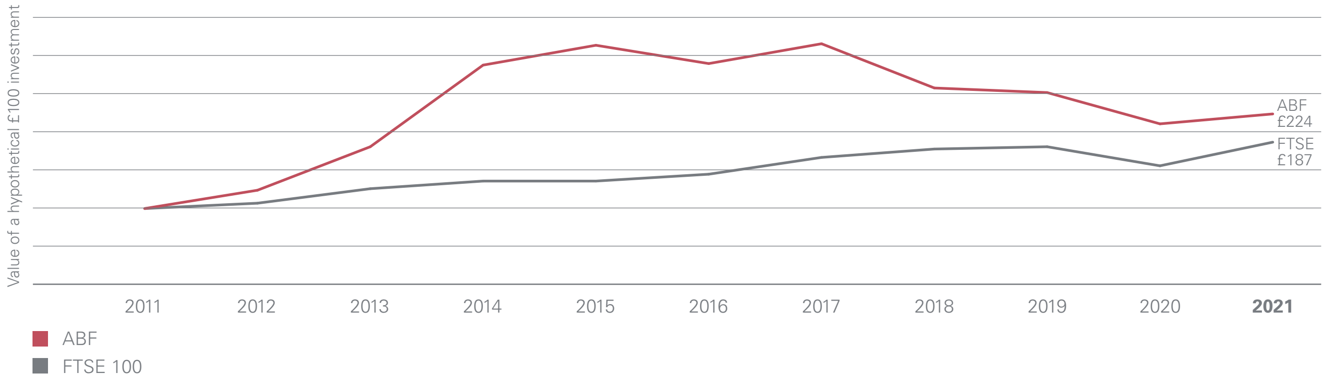
	2021 £m	2020 £m	Change %
Pay spend for the Group	**2,639**	2,505	5%
Dividends relating to the period	**211**	–	100%
Taxes paid	**298**	254	17%

Additional disclosures

Total Shareholder Return (TSR) performance and Chief Executive's pay

The performance graph below illustrates the performance of the Company over the 10 years from September 2011 to September 2021, in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below the graph provides a summary of the total remuneration of the Chief Executive over the same period.



Source: DataStream Return Index

	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Single total figure remuneration (£000)	3,859	5,832	7,470	3,056	3,133	4,849	3,843	4,204	1,138	**3,390**
Annual variable element – STIP (% of maximum)	60.63%	83.15%	59.49%	44.46%	86.75%	97.47%[1]	50.34%[1]	73.37%[1]	0%	**52.50%**
Long-term variable element – LTIP (% of maximum)	97.42%	85.00%	100%	18.54%	0%	51.02%	100%	57.13%	0%	**40.00%**

1 STIP reflects the percentage of maximum before share price impacts.

2019/20 STIP – achievement against financial targets

This table shows our required retrospective disclosure of financial targets for 2019/20. The STIP outcome was disclosed in last year's annual report.

2019/20 financial performance

		Cash element				
		Threshold	Target	Maximum	Outcome (% of salary)	Outcome (% of maximum)
Adjusted operating profit (£m)		1,463	1,543	1,623	1,024	
STIP for this level of profit (as % of salary)		15%	65%	108.3%	0%	0%
Working capital (as a % of revenue)		17.71%	16.55%	15.39%	14.62%	
Working capital modifier		0.8	1.0	1.2	1.2	100%
Financial outcome (adjusted operating profit outcome x working capital multiplier)		12%	65%	130%	0%	0%
STIP financial performance (% of maximum)		9.23%	50%	100%	0%	0%
Personal performance (as % of salary)	George Weston and John Bason	0%	13.3%	20%	0%	0%
Total cash STIP	George Weston and John Bason	12%	78.3%	150%	0%	0%
		Shares element				
Total 2019-22 STIP shares (financial performance only)	George Weston and John Bason	5%	25%	50%	0%	0%

2019/20 was a year unlike any other. As the pandemic struck and its likely impact became clearer, it was essential to assess the impact of extensive store closures on the cash flows of the business. Prompt action needed to be taken to ensure access to funding as needed through the various loan facilities available to us to ensure going concern status.

A set of actions then needed to be developed to preserve cash within Primark while not penalising suppliers. The executives developed plans for managing stock into the business, recognising it would not be sold as planned, and worked with suppliers on stock management, including setting up a supplier fund to support workers and providing commitments to taking autumn/winter stock once cash positions and store reopenings became clearer.

Consistent with our values, government schemes were only used where absolutely necessary in Primark where stores were closed, but not in the Food businesses despite some colleagues being asked to shield and not being able to work.

Actions were also taken to preserve cash in the Food businesses. Throughout, support was provided across our businesses to protect the safety and wellbeing of our people. The executive and non-executive directors took salary cuts during the second half of the financial year. All these actions contributed to the strong cash position at the end of the year of £1.6bn.

As a result of COVID-19, a number of actions in the original personal targets for the executives reduced in importance. However, despite COVID-19, progress was made on a number of key fronts. A small number of acquisitions were made including of Larodan to bring in polar lipids capability to the Ingredients group. Sugar returns improved as a result of restructuring and cost management initiatives in both British Sugar and Illovo. Initiatives were established to improve Primark's brand positioning in northern Europe. On the people side, the new Chief People and Performance Officer was successfully onboarded and recruitment was completed for a Group Financial Controller. The transition to IFRS 16 was well managed and additional capability established in the Group on cybersecurity.

In spite of the above, no personal incentive payments were made as both executive directors waived any payment.

Statement on shareholder voting

Resolution	Date of AGM	Votes for	Votes against	Votes withheld
Directors' Remuneration Policy	December 2019	96.23%	3.77%	98,600
Directors' Remuneration Report	December 2020	99.00%	1.00%	89,350

Payments to past directors and payments for loss of office (audited information)
No payments were made in the year.

Remuneration Committee advisers and fees
Following a competitive tender the Committee appointed Deloitte LLP (Deloitte) in March 2020 to provide independent advice to the Committee. Deloitte are members of the Remuneration Consultants Group and adhere to its code in relation to executive remuneration consulting. The Committee is satisfied that the advice it received in the year was objective and independent.

During the year, the other services that Deloitte provided to the Company were corporate and employment tax advice, advice related to transactions, and risk-related advisory work.The fees paid to Deloitte for Committee assistance over the past financial year totalled £71,975.

Herbert Smith Freehills LLP provide the Company with legal advice. Their advice is made available to the Committee, where it relates to matters within its remit.

Compliance
Where information in this report has been audited by Ernst & Young LLP it has been clearly indicated. The report has been prepared in line with the requirements of The Large and Medium-sized Companies Regulations (as amended), the recommendations of the UK Corporate Governance Code (July 2018) and the requirements of the UKLA Listing Rules.

The Directors' Remuneration Report was approved by the Board and signed on its behalf by

Paul Lister
Company Secretary
9 November 2021

Directors' Report

The directors of Associated British Foods plc present their report for the 53 weeks ended 18 September 2021, in accordance with section 415 of the Companies Act 2006. The Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Listing Rules also require the Company to make certain disclosures, some of which have been included in other appropriate sections of the annual report and accounts.

The information set out on page 139 and the following cross-referenced material, is incorporated into this Directors' Report:

- likely future developments in the Group's business (pages 22 to 61);
- greenhouse gas emissions and energy consumption (pages 78 to 79);
- the Board of Directors (pages 98 to 99);
- information on our employees (pages 80 to 84);
- information on how the directors have engaged with employees (including those in the UK), have had regard to employee interests and the effect of that regard on the Company's principal decisions (pages 65 to 71, 80 to 84, 102 and 105);
- information on how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the year (pages 65 to 71 and 72 to 85); and
- the Corporate Governance Report (pages 96 to 135).

Results and dividends

The consolidated income statement is on page 150. Profit for the financial year attributable to equity shareholders amounted to £478m.

The directors recommend a final dividend of 20.5p per ordinary share to be paid, subject to shareholder approval, on 14 January 2022. Together with the interim dividend of 6.2p per share paid on 9 July 2021, this amounts to 26.7p for the year. The directors have also declared a special interim dividend of 13.8p per share also to be paid on 14 January 2022, which is not subject to shareholder approval. See page 169 for the note on dividends.

Directors

The names of the persons who were directors of the Company during the financial year and as at 5 November 2021 appear on pages 98 to 99.

Appointment of directors

The Articles give directors the power to appoint and replace directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. A person who is not recommended by the directors may only be appointed as a director where details of that director have been provided at least seven and not more than 35 days prior to the relevant meeting by at least two members of the Company. The Articles require all directors to retire and seek re-election at each AGM in line with the 2018 Code. Details of unexpired terms of directors' service contracts are set out in the Directors' Remuneration Report on page 130.

Power of directors

The directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders at the AGM each year.

Directors' indemnities and insurance

The directors of a subsidiary company that acts as trustee of a pension scheme benefitted from a qualifying pension scheme indemnity provision during the financial year and at the date of this report.

The Company has in place appropriate directors' and officers' liability insurance cover in respect of legal action against its executive and non-executive directors, amongst others.

Directors' share interests

Details regarding the share interests of the directors (and their persons closely associated) in the share capital of the Company, including any interests under the Long Term Incentive Plan and any deferred awards, are set out in the Directors' Remuneration Report on pages 126, 129 and 130.

Disclosures required under Listing Rule 9.8.4R

The following table is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the annual report and accounts at the references set out below.

Information required	Location in annual report
(12) Shareholder waiver of dividends	Note 24 on pages 184 and 185
(13) Shareholder waiver of future dividends	Note 24 on pages 184 and 185
(14) Board statement on relationship agreement with controlling shareholder	Directors' Report on page 137 (below)

Paragraphs (1), (2), (4), (5), (6), (7), (8), (9), (10) and (11) of Listing Rule 9.8.4R are not applicable.

Relationship agreement with controlling shareholders

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions in the Listing Rules and which must contain undertakings that:

- transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Wittington Investments Limited ('Wittington') and, through their control of Wittington, the trustees of the Garfield Weston Foundation (the 'Foundation') are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 18 September 2021, had a combined interest in approximately 58.3% of the Company's voting rights.

The Board confirms that, in accordance with the Listing Rules, on 14 November 2014 the Company entered into a relationship agreement with Wittington and the trustees of the Foundation containing the required undertakings (the 'Relationship Agreement' as further amended and restated on 25 June 2020).

Under the terms of the Relationship Agreement, Wittington has agreed to procure compliance with the undertakings by the other individuals who are treated as controlling shareholders (the 'Non-signing Controlling Shareholders'). The Board confirms that, during the period under review:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the controlling shareholders and their associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement as regards compliance with the independence provisions by the Non-signing Controlling Shareholders and their associates, has been complied with by Wittington.

Major interests in shares

The Company did not receive any formal notification, under the Disclosure Guidance and Transparency Rules, of any material interest in shares in the year to 18 September 2021. As at 5 November 2021, the last such notification received was the notification on 19 October 2018 that The Capital Group Companies, Inc. had a shareholding of 39,523,864 shares, which is 4.99% of the issued share capital and voting rights of the Company.

Details of the Company's controlling shareholders for the purpose of the Listing Rules who, as at 18 September 2021, had a combined interest in approximately 58.3% of the voting rights in the Company's ordinary shares are set out above.

The Company is a premium listed company on the London Stock Exchange and, under the Listing Rules, is required to carry on an independent business as its main activity. This requirement is reinforced by the existence of the Relationship Agreement as described in more detail in the previous column.

Share capital

Details of the Company's share capital and the rights attached to the Company's shares are set out in note 22 on page 183. The Company has one class of share capital: ordinary shares of 5 $^{15}/_{22}$p. The rights and obligations attaching to these shares are governed by English law and the Articles.

No shareholder holds securities carrying special rights with regard to the control of the Company. There are no restrictions on voting rights.

There are no restrictions on the holding or transfer of the ordinary shares other than the standard restrictions for an English incorporated company.

Authority to issue shares

At the last AGM, held on 4 December 2020, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to two thirds of the shares in issue (of which one third must be offered by way of rights issue). This authority expires on the date of this year's AGM to be held on 10 December 2021. No such shares have been issued.

The directors propose to renew this authority at the 2021 AGM for the forthcoming year. A further special resolution passed at the 2020 meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006 in certain circumstances. This authority also expires on the date of the 2021 AGM and the directors will seek to renew this authority for the forthcoming year.

Authority to purchase own shares

The Companies Act 2006 empowers the Company to purchase its own shares subject to the necessary shareholder approval. The Company has no existing authority to purchase its own shares.

Amendment to Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the shareholders.

Significant agreements – change of control

The Group has contractual arrangements with many parties including directors, employees, customers, suppliers and banking groups. The following arrangements are considered to be significant in terms of their potential impact on the business of the Group as a whole and could alter or terminate on a change of control of the Company:

- the Group has a number of borrowing facilities provided by various banking groups. These facility agreements generally include change of control provisions which, in the event of a change in ownership of the Company, could result in their renegotiation or withdrawal. The most significant of these is a £1.1bn syndicated loan facility, last extended on 19 August 2020, maturing in July 2023, which was undrawn at the year end. In the event of a change in ownership of the Company, the lenders may request cancellation of the commitment and repayment of any outstanding amounts;
- £297m (approximate sterling equivalent) of private placement notes in issue to institutional investors. In the event of a change in ownership of the Company, the Company is obliged to make an offer of immediate repayment to the remaining note holders; and
- cross-currency swaps in place totalling $300m to swap all of the private placement debt denominated in US dollars to euros.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Political donations

During the year, the Company did not make any political donations nor incur any political expenditure.

Financial risk management

Details of the Group's use of financial instruments, together with information on our risk objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and our exposure to price, credit, liquidity, cash flow and interest rate risks, can be found in note 26 starting on page 186.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the Group.

The Company has a major technical centre in the UK at the Allied Technical Centre. Facilities also exist at ACH Food Companies in the USA, AB Mauri in Australia and the Netherlands (including the new Global Technology Centre opened in the Netherlands in March 2021), AB Enzymes in Germany and the new pilot plant in Rajamäki, Finland opened in early 2021 by our joint venture, Roal. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

Branches

The Company, through various subsidiaries, has established branches in a number of different countries in which the Group operates.

Disclosure of information to auditor

Each of the directors who held office at the date of approval of this Directors' Report confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the reasonable steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

For these purposes, relevant audit information means information needed by the Company's auditor in connection with the preparation of its report on pages 140 to 149.

Auditor

Resolutions for the reappointment of Ernst & Young LLP as auditor of the Company and to authorise the Audit Committee to determine its remuneration are to be proposed at the forthcoming AGM.

Annual general meeting

The AGM will be held on 10 December 2021 at 11.00 am. Details of the resolutions to be proposed are set out in a separate Notice of AGM which accompanies this report for shareholders receiving hard copy documents and which is available at www.abf.co.uk for those who elected to receive documents electronically. All resolutions for which notice has been given will be decided on a poll.

The Directors' Report was approved by the Board and signed on its behalf by

Paul Lister
Company Secretary

9 November 2021

Associated British Foods plc
Registered office:
Weston Centre
10 Grosvenor Street
London W1K 4QY

Company No. 293262

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with Adopted IFRS and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with Adopted IFRS;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director

9 November 2021

Independent Auditor's Report to the members of Associated British Foods plc

Opinion

In our opinion:

- Associated British Foods plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 18 September 2021 and of the Group's profit for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Associated British Foods plc (the 'parent company') and its subsidiaries (the 'Group') for the 53 weeks ended 18 September 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 18 September 2021	Balance sheet as at 18 September 2021
Consolidated income statement for the 53 weeks then ended	Statement of changes in equity for the 53 weeks then ended
Consolidated statement of comprehensive income for the 53 weeks then ended	Related notes 1 to 11 to the financial statements, including significant accounting policies
Consolidated statement of changes in equity for the 53 weeks then ended	
Consolidated cash flow statement for the 53 weeks then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 '*Reduced Disclosure Framework*' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained during the planning, execution and conclusion of our audit is sufficient and appropriate to provide a suitable basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the detailed assumptions underpinning the Group's forecasts for the going concern period until February 2023, in particular around sales in Primark, given the uncertainties arising from COVID-19 and the Group's experience since stores reopened. We also considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including impairment.
- Understanding the process undertaken by management to evaluate the operational and economic impacts of COVID-19 on the Group and to reflect these in the group's forecasts.
- Considering the downside scenario identified by management in their assessment on page 95, assessing whether there are any other scenarios which should be considered, and assessing whether the quantum of the impact of the downside scenario in the going concern period was sufficiently severe whilst remaining plausible;
- Testing the clerical accuracy of the model used to prepare the Group's going concern assessment.
- Performing a reverse stress test to establish the reduction in revenue and the related impact on the cash flows that could lead either to a loss of liquidity or a covenant breach and

considering whether this scenario was plausible.
- Obtaining evidence to support the availability of financing outside of the going concern period after the expiration of the group's revolving credit facility in July 2023.
- Assessing the appropriateness of the Group's disclosure concerning the going concern basis of preparation.

The audit procedures performed to address this risk were performed by the Group audit team.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern until the end of February 2023.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 104 components and audit procedures on specific balances for a further 27 components. – The components where we performed full or specific audit procedures accounted for 85% of adjusted profit before taxation, 85% of revenue and 86% of total assets.
Key audit matters	– Assessment of the carrying value of goodwill, other intangible assets, property, plant and equipment and right of use assets – Tax provisions – Primark inventory valuation provisions – Revenue recognition, including the risk of management override
Materiality	– We used a Group materiality of £39 million, which represents 4% of adjusted profit before taxation

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the level of revenue and adjusted profit before taxation, risk profile (including country risk, controls and internal audit findings and the extent of changes in management, systems and processes and the business environment) and other known factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 693 reporting components of the Group, we selected 131 components, which represent the principal business units within the Group.

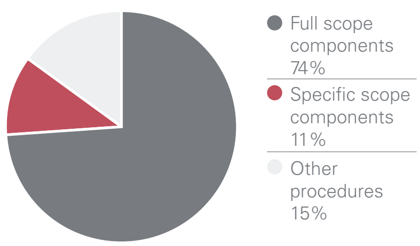
Of the 131 components selected, we performed an audit of the complete financial information of 104 components ('full scope components'), which were selected based on their size or risk characteristics. For the remaining 27 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 85% of the Group's adjusted profit before taxation (2020: 83% of profit before tax), 85% of the Group's revenue (2020: 86%) and 86% of the Group's total assets (2020: 86%). For the current period, the full scope components contributed 74% of the Group's adjusted profit before taxation (2020: 78% of profit before tax), 80% of the Group's revenue (2020: 80%) and 82% of the Group's total assets (2020: 82%). The specific scope components contributed 11% of the Group's adjusted profit before taxation (2020: 5% of profit before tax), 5% of the Group's revenue (2020: 6%) and 4% of the Group's total assets (2020: 4%). The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

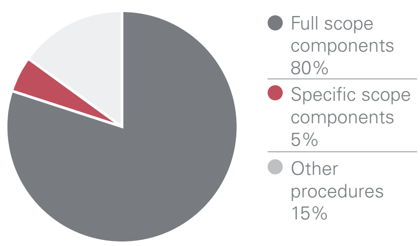
Of the remaining 562 components that together represent 15% of the Group's adjusted profit before taxation, none are individually greater than 1% of the Group's adjusted profit before taxation. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts illustrate the coverage obtained from the work performed by our audit teams.

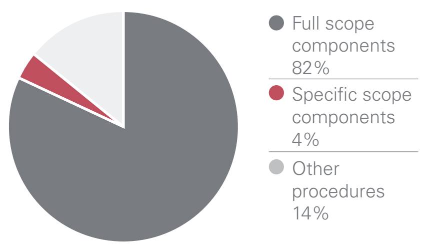
Adjusted Profit before taxation



Revenue



Total assets



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms under our instruction. Of the 104 full scope components, audit procedures were performed on 40 of these directly by the Group audit team and 64 by component audit teams. For the 25 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current audit cycle, we were unable to physically visit component teams due to the travel restrictions arising from the COVID-19 pandemic. We performed alternative oversight procedures, including video meetings and live reviews of our local audit teams' working papers based on the risk and size of our components. Our oversight procedures focused on 49 full and specific scope components in the UK, Argentina, Australia, Brazil, China, Ireland, Italy, Malawi, South Africa, Spain, the US and Zambia.

These alternative procedures used video technology and our global audit software to meet with our component team to discuss and direct its audit approach, reviewing key working papers and understanding the significant audit findings in response to the risk areas including asset impairment, inventory valuation (in Primark), tax provisions and revenue recognition, holding meetings with local management and obtaining updates on IT systems implementations and local regulatory matters including tax, pensions and legal. The primary audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: our overall audit strategy, the allocation of resources in the audit and directing the efforts of our engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of the carrying value of goodwill, other intangible assets, property, plant and equipment and right of use assets (£9,516 million, 2020: £10,270 million) The Group has significant carrying amounts of goodwill, other intangible assets, property, plant and equipment and right of use assets. The impaiment tests covered the Primark stores (£5,408 million), Azucarera (£248 million), China Sugar (£65 million), Allied Bakeries (£113 million), Australian meat (£159 million) and AB Mauri (£687 million) as these businesses all operate in challenging trading environments. An impairment of £141m was recorded as an exceptional item in the year. In Primark, all 398 stores were unable to trade for a significant period as a result of the COVID-19 pandemic. The extent and speed of recovery in trading is dependent on consumer spending behaviour, consumers' willingness to visit stores under socially distanced measures and the extent of restrictions imposed by governments in each of the countries in which Primark and its supply chain operate in response to COVID-19.	We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the controls over the process but did not test the operating effectiveness of them. For CGUs where there were indicators of impairment (including as a result of COVID-19) or low levels of headroom, including the six CGUs or groups of CGUs described, we performed detailed testing to critically assess and corroborate the key inputs to the valuations, including: – analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience; – for Primark's stores, understanding and critically evaluating the economic recovery assumptions, comparing the forecasted sales densities to actual experience since stores reopened, regional and country comparatives and strategic plans for specific stores to determine the suitability of assumptions used in store impairment models;	We concluded that the impairments recorded were appropriately recognised and were not materially misstated. For other CGUs that were tested for impairment, we concluded that no impairments were required at the period end, based on the results of our work. Of the Group's assets, the portion relating to Azucarera, Australian meat and AB Mauri remain sensitive to reasonably possible changes in key assumptions. Management describes these sensitivities appropriately in the intangible assets and property, plant and equipment notes to the consolidated financial statements, in accordance with IAS 36.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Low sugar prices have contributed to a reduction in profitability at both Azucarera and China Sugar in recent years. This was compounded by reduced beet supply in Azucarera. The Allied Bakeries and Australian meat businesses operate in environments of significant retailer pressure on price and competitor activity. AB Mauri's profitability has been impacted by competitive pricing pressures in some of its businesses, compounded by macro-economic conditions, including high inflation rates and currency devaluation. There is a risk that these cash generating units ('CGUs') or groups of CGUs may not achieve the anticipated business performance to support their carrying value, or that the estimated fair value of the CGUs may not support their carrying value. This could lead to an impairment charge that has not been recognised by management. Significant judgement is required in forecasting the future cash flows of each CGU or, in the case of goodwill, group of CGUs, together with the rate at which they are discounted, or in estimating a CGU's fair value less costs of disposal. There has been no significant change in this overall risk during the period. Refer to the audit committee report (page 113); accounting policies (page 158 to 159); accounting estimates and judgement (page 161) and notes 8,9 and 10 to the consolidated financial statements (pages 170 to 174).	– for Azucarera and China Sugar, performing an independent current and historical market analysis to assess future sugar price and cost assumptions, with support from our valuation specialists on future sugar prices; – for Allied Bakeries, where the recoverable amount is based on fair value less costs of disposal, considering the evidence available as to whether the recoverable amount represents an appropriate estimate of a market participant's valuation of the CGU; – for Australian meat, analysing historical data to better understand the operations and to assess the ability to achieve forecast volume growth, operational improvements and production yields; – for AB Mauri, considering the historical achievement of volume and price growth and cost savings and comparing these to external market growth forecasts to assess the ability to achieve forecast growth; – in conjunction with our valuation specialists, assessing the discount rates used by determining independently a range of acceptable rates for each CGU, considering market data and comparable organisations, and comparing these ranges to the rates used by management; – validating the growth rates assumed by comparing them to economic and industry forecasts; and – considering contra evidence obtained during the course of the audit. For all CGUs we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment is triggered and we considered the likelihood of this occurring. We performed our own sensitivities on the group's forecasts and, for Azucarera and China Sugar, performed our own independent assessment of future sugar price, beet cost and area assumptions. We then determined whether adequate headroom remained using these sensitivities and our independent assessment. We assessed the disclosures in notes 8,9 and 10 against the requirements of IAS 36 *Impairment of Assets*, in particular in respect of the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. For the AB Mauri, Azucarera and China Sugar CGUs, the audit procedures performed to address this risk were performed by the Group audit team. The Primark, Allied Bakeries and Australian meat CGUs were subject to full scope audit procedures by the respective component teams and reviewed by the group team.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Tax provisions (included within the income tax liability of £172 million, 2020: £171 million) The global nature of the Group's operations results in complexities in the payment of and accounting for tax. Management applies judgement in assessing tax exposures in each jurisdiction, which require interpretation of local tax laws. Given this judgement, there is a risk that tax provisions are misstated. This risk is unchanged from the prior year. Refer to the audit committee report (page 114); accounting policies (page 157); accounting estimates and judgement (page 161); and note 5 to the consolidated financial statements (page168).	We understood: – The Group's process for determining the completeness and measurement of provisions for tax; – The impact of IFRIC 23 requirements on the Group's methodology to determine provisions for tax; – The methodology for the calculation of the tax charge; and – Management's controls over tax reporting, but did not test the operating effectiveness of them. The Group audit team, including tax specialists, evaluated the tax positions taken by management in each significant jurisdiction in the context of local tax law, correspondence with tax authorities and the status of any tax audits. Our work utilised additional support from country tax specialists in jurisdictions where the Group had more significant tax exposures. We assessed the Group's transfer pricing judgements, considering the way in which the Group's businesses operate and the correspondence and agreements reached with tax authorities. In evaluating management's accounting, we developed our own range of acceptable provisions for the Group's tax exposures, based on the evidence we obtained. We then compared management's provision to our independently determined range. We assessed the tax accounting impact of any benefits taken by the Group as a consequence of a range of COVID-19 economic stimulus packages implemented by governments around the world.	We have evaluated the Group's tax provisions and challenged the judgements applied. We consider the amounts provided for uncertain tax positions to be within an acceptable range in the context of the Group's overall tax exposures.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Primark inventory valuation provisions (inventory balances of £1,143 million, 2020: £1,104 million) Inventories are recorded at the lower of cost and net realisable value, in accordance with the Group's accounting policy. The prolonged closure of Primark stores for extended periods throughout 2021 due to COVID-19 lockdown measures in many countries of operation, together with the ongoing uncertainties over the economic recovery, results in a risk that the cost of inventory will not be recovered, due to products no longer being in season when stores open and/or suffering damage while stores were closed. In addition, there are committed purchase contracts which could create an onerous contract risk. At the prior year end a mark-down provision of £22 million was held for inventory stored on the Group's behalf by suppliers for longer than usual as a result of the pandemic. The majority of this stock has been sold, and the provision has been released. A further £5 million was provided for other COVID-19 related items. An inventory provision of £21million was recorded in Primark at the half year, which related to certain autumn/winter seasonal items already on display in stores closed due to COVID-19 lockdowns which could not be sold before the end of the autumn winter season. This inventory was cleared from the stores to allow spring/summer stock to be displayed as stores prepared to reopen, and the provision has been fully used during the financial year. With the reopening of the stores and the level of inventory held by Primark having returned to a normal level the risk of overstated inventory has reduced and no provision is recorded at the year end. The risk has decreased in the current year due to the reopening of the Primark stores. Refer to the accounting policies (page 159) and note 16 to the consolidated financial statement (page 180).	We understood the methodology applied by the Group in estimating its inventory provision and walked through the controls over the provisioning process, but did not test the operating effectiveness of them. We assessed the accuracy of inputs and data used within provision models and reperformed a sample of calculations applied by management. We compared our expectations to inputs and assumptions used by management in determining the Primark inventory valuation provisions, challenging whether the basis for the amounts recorded was appropriate. We focused specifically on committed purchase contracts, recent and expected store trading patterns, changes in store selling space, the impact of future seasonal markdowns assumed and compared these against historical data where applicable. We made inquiries of buying teams to understand the inventory purchasing strategy to critically evaluate against management's provisioning assumptions. We assessed whether the disclosures in the financial statements are in accordance with IFRS. The audit procedures performed to address this risk were performed by the Primark component team and reviewed by the Group team.	We did not identify any evidence of material misstatement in the inventory provisions or associated disclosures recognised in the consolidated financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition, including the risk of management override (£13,884 million, 2020: £13,937 million) There continues to be pressure on the Group to meet expectations and targets. Management reward and incentive schemes, based on achieving profit targets and working capital as a percentage of revenue targets, may also place pressure on management to manipulate revenue recognition. The majority of the Group's sales arrangements are generally straightforward, being on a point of sale basis and requiring little judgement to be exercised. However, in the Grocery segment, management estimates the level of trade promotions and rebates to be applied to its sales to customers, adding a level of judgement to revenue recognition. Approximately 3% (2020: 3%) of the Group's gross revenue is subject to such arrangements. There is a risk that management may override controls intentionally to misstate revenue transactions, either through the judgements made in estimating rebates in the Grocery segment or by recording fictitious revenue transactions across the business. This risk is unchanged from the prior year. Refer to the accounting policies (page 156) and note 1 to the consolidated financial statement (pages 162 to 165).	We understood each business's revenue recognition policies and how they are applied, including the relevant controls, we did not test the operating effectiveness of these controls. We considered how the uncertainties surrounding the COVID-19 pandemic affect contracts with customers, considering collectability, price concessions and selling prices. We discussed key contractual arrangements with management and obtained relevant documentation, including in respect of rebate arrangements. Where rebate arrangements existed, on a sample basis, we obtained third-party confirmations or performed appropriate alternative procedures, including reviewing contracts and recalculating rebates. We also performed hindsight analysis over changes to prior period rebate estimates to challenge the assumptions made, including assessing the estimates for evidence of management bias. For several businesses, including Primark, as part of our overall revenue recognition testing, we used data analysis tools on 100% of revenue transactions in the period to test the correlation of revenue to cash journals, and sample tested to cash receipts to verify the occurrence of revenue. This provided us with assurance over £11.0 billion (80%) (2020: £11.0 billion (79%)) of revenue recognised by the Group. For those in-scope businesses where we did not use data analysis tools, we performed alternative procedures over revenue recognition. We performed other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, applying particular focus to manual journals. We performed full and specific scope audit procedures over this risk area in 82 locations, which covered 85% of the Group's revenue. The audit procedures performed to address this risk were performed by component teams and reviewed by the Group team.	Based on the procedures performed, including those in respect of trade promotions and rebates in the Grocery segment, we did not identify any evidence of management override or material misstatement in the revenue recognised in the period.

In the prior year, our auditor's report included a key audit matter in relation to 'Going concern', which warranted additional focus in the prior period audit as a result of the COVID-19 pandemic but this risk has decreased as lockdown measures have been eased by many governments. In addition, the 'Adoption of IFRS 16 Leases' was a key audit matter in the prior period reflecting the fact that the new leases standard was adopted in the prior period.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures."

We determined materiality for the Group to be £39 million (2020: £41 million), which is 4% of adjusted profit before taxation. In 2020 materiality was set at 5% of profit before taxation, adjusted for the exceptional items of £139 million of impairment charges and £22 million of inventory provisions. We believe that adjusted profit before tax provides us with the most relevant performance measure to the stakeholders of the entity and therefore have determined materiality based on this number.

We determined materiality for the parent company to be £35 million (2020: £28 million), which is 2% (2020: 2%) of equity.

Performance materiality

"The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality."

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £29 million (2020: £31 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current period, the range of performance materiality allocated to components was £1 million to £14 million (2020: £1 million to £14 million).

Reporting threshold

"An amount below which identified misstatements are considered as being clearly trivial."

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1 million (2020: £1 million), which is 2% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and accounts set out on pages 1 to 139, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 95;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 95;
- Directors' statement on fair, balanced and understandable set out on page 109;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 110;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 110; and;
- The section describing the work of the audit committee set out on pages 111 to 116.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 139, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006 , United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters, food standards and food safety.
- We understood how Associated British Foods plc is complying with those frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent,

deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, divisional management and all full and specific scope management; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed as auditor by the shareholders and signed an engagement letter on 23 April 2021. We were appointed by the company at the AGM on 4 December 2020 to audit the financial statements for the 53 weeks ending 18 September 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, from the 53 weeks ended 17 September 2016 until the 53 weeks ended 18 September 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon O'Neill (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

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	2	**(13,008)**	(13,046)
Exceptional items	2	**(151)**	(156)
		725	735
Share of profit after tax from joint ventures and associates	11	**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	8	**(50)**	(59)
Acquired inventory fair value adjustments	2	**(3)**	(15)
Transaction costs	2	**(3)**	(2)
Exceptional items	2	**(151)**	(156)
Profits less losses on sale and closure of businesses	23	**20**	(14)
Profit before interest		**828**	796
Finance income	4	**9**	11
Finance expense	4	**(111)**	(124)
Other financial (expense)/income	4	**(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	8	**(50)**	(59)
Acquired inventory fair value adjustments	2	**(3)**	(15)
Transaction costs	2	**(3)**	(2)
Exceptional items	2	**(151)**	(156)
Profits less losses on sale and closure of businesses	23	**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
	5	**(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)	7	**60.5**	57.6
Dividends per share paid and proposed for the period (pence)	6	**26.7**	nil
Special dividend per share proposed for the period (pence)	6	**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 adjustment 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

	Note	2021 £m	2020 £m
Non-current assets			
Intangible assets	8	**1,581**	1,629
Property, plant and equipment	9	**5,286**	5,651
Right-of-use assets	10	**2,649**	2,990
Investments in joint ventures	11	**278**	233
Investments in associates	11	**60**	56
Employee benefits assets	12	**640**	100
Income tax	5	**23**	–
Deferred tax assets	13	**218**	212
Other receivables	14	**55**	45
Total non-current assets		**10,790**	10,916
Current assets			
Assets classified as held for sale	15	**13**	43
Inventories	16	**2,151**	2,150
Biological assets	17	**85**	72
Trade and other receivables	14	**1,367**	1,328
Derivative assets	26	**124**	102
Current asset investments	25	**32**	32
Income tax		**58**	30
Cash and cash equivalents	18	**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	15	–	(5)
Lease liabilities	10	**(289)**	(297)
Loans and overdrafts	19	**(330)**	(154)
Trade and other payables	20	**(2,386)**	(2,316)
Derivative liabilities	26	**(34)**	(87)
Income tax		**(172)**	(171)
Provisions	21	**(71)**	(123)
Total current liabilities		**(3,282)**	(3,153)
Non-current liabilities			
Lease liabilities	10	**(2,992)**	(3,342)
Loans	19	**(76)**	(318)
Provisions	21	**(31)**	(41)
Deferred tax liabilities	13	**(363)**	(210)
Employee benefits liabilities	12	**(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	22	**45**	45
Other reserves	22	**175**	175
Translation reserve	22	**(34)**	323
Hedging reserve	22	**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

The financial statements on pages 150 to 213 were approved by the Board of Directors on 9 November 2021 and were signed on its behalf by:

Michael McLintock
Chairman

John Bason
Finance Director

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 of right-of-use assets)	**823**	827
Impairment of property, plant and 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

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

Significant accounting policies

for the 53 weeks ended 18 September 2021

Associated British Foods plc is domiciled in the United Kingdom. The Company's consolidated financial statements for the 53 weeks ended 18 September 2021 comprise those of the Company, its subsidiaries and its interest in joint ventures and associates.

The directors authorised the consolidated financial statements for issue on 9 November 2021.

The directors prepared and approved the consolidated financial statements in accordance with Adopted IFRS (see glossary).

The Company has elected to prepare the parent company financial statements under FRS 101. These are presented on pages 214 to 221.

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.

Judgements made by management in the application of Adopted IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment next year, are discussed in Accounting estimates and judgements detailed on page 161.

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

The accounting policies set out below apply to all periods presented, except where stated otherwise.

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.

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 61. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 62 to 64.

In addition, the Principal risks and uncertainties on pages 88 to 94 and note 26 on pages 186 to 197 provide details of the Group's policy on managing its financial and commodity risks.

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 cash flow 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 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, customers, geographies and product. The importance of food production has been highlighted by recent events and the resilience of the Group has been demonstrated by our ability to ensure the continuity of the food supply chain. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively to give rise a deterioration in trading to a level that is likely to threaten the viability of the Group 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.

Significant accounting policies

for the 53 weeks ended 18 September 2021

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.

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries from the date that control commences to the date that control ceases.

They also include the Group's share of the after-tax results, other comprehensive income and net assets of its joint ventures and associates on an equity-accounted basis from the point at which joint control or significant influence respectively commences, to the date that it ceases.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to direct the activities of an entity so as to affect significantly the returns of that entity.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity.

All the Group's joint arrangements are joint ventures, which are entities over whose activities the Group has joint control, typically established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates are those entities in which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but which does not amount to control or joint control.

Where the Group's share of losses exceeds its interest in a joint venture or associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Control, joint control and significant influence are generally assessed by reference to equity shareholdings and voting rights.

Business acquisitions

On acquisition of a business, the Group attributes fair values to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. These include aligning accounting policies with those of the Group.

The Group finalises provisional fair values within 12 months of the date of acquisition and, where significant, reflects them by restatement of the comparative period in which the acquisition occurred.

The Group measures non-controlling interests at the proportionate share of the net identifiable assets acquired.

The Group remeasures existing equity interests in the acquiree to fair value at the date of acquisition, with any resulting gain or loss taken to the income statement.

Goodwill arising on acquisition of a business is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include transaction costs, which the Group expenses as incurred.

The Group measures contingent consideration at fair value at the date of acquisition, classified as a liability or equity (usually as a liability).

Other than for the finalisation of provisional fair values, the Group accounts for changes in contingent consideration classified as a liability in the income statement.

Revenue

Revenue represents the value of sales made to customers after deduction of discounts, sales taxes and a provision for returns. Discounts include sales rebates, price discounts, customer incentives, some promotional activities and similar items. Revenue does not include sales between Group companies.

The Group recognises revenue when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

In the Food businesses, the Group generally recognises revenue from the sale of goods on dispatch or delivery to customers, dependent on shipping terms, and provides for discounts and returns as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations, historical trends and past experience.

In the Retail business, the Group generally recognises revenue from the sale of goods when a customer purchases goods, and provides for returns as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account historical trends and past experience.

Borrowing costs

The Group accounts for borrowing costs using the effective interest method. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying items of property, plant and equipment as part of their cost.

Foreign currencies

Individual Group companies record transactions in foreign currencies at the exchange rate at the date of the transaction, and translate monetary assets and liabilities in foreign currencies at the exchange rate at the balance sheet date, with any resulting differences taken to the income statement, unless designated in a hedging relationship, in which case hedge accounting applies.

On consolidation, the Group translates the assets and liabilities of operations denominated in foreign currencies into sterling at the exchange rate at the balance sheet date. The Group translates the income statements of those operations into sterling at average exchange rates.

The Group records differences arising from the retranslation of opening net assets of Group companies, together with differences arising from the restatement of the net results of Group companies from average exchange rates to those at the balance sheet date, in the translation reserve in equity.

Pensions and other post-employment benefits

The Group's pension and other post-employment benefit arrangements comprise defined benefit plans, defined contribution plans and other unfunded post-employment plans.

For defined benefit plans, the income statement charge comprises the cost of benefits earned by members and benefit improvements granted to members during the year, as well as net interest income/(expense) calculated by applying the liability discount rate to the opening net pension asset or liability.

The Group records the difference between the market value of scheme assets and the present value of scheme liabilities on a scheme-by-scheme basis as net pension assets (to the extent recoverable) or liabilities.

The Group recognises remeasurements and movements in irrecoverable surpluses in other comprehensive income.

The Group charges contributions payable in respect of defined contribution plans to operating profit as incurred.

The Group accounts for other unfunded post-employment plans in the same way as defined benefit plans.

Share-based payments

The Group recognises the fair value of share awards at grant date as an employee expense with a corresponding increase in equity, spread over the period during which the employees become unconditionally entitled to the shares.

The Group adjusts the amount recognised to reflect expected and actual levels of vesting except where the failure to vest is as a result of not meeting a market condition.

Income tax

Income tax on profit or loss for the period comprises current and deferred tax. The Group recognises income tax in the income statement except to the extent that it relates to items taken directly to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

The Group provides for deferred tax using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The Group does not provide for the following temporary differences: initial recognition of goodwill; initial recognition of assets or liabilities affecting neither accounting nor taxable profit other than those acquired in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The Group bases the amount of deferred tax provided on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The Group recognises income tax arising from dividend distributions at the same time as the liability to pay the related dividend.

Financial assets and liabilities

The Group recognises financial assets and liabilities when it becomes a party to the contractual provision of the relevant financial instrument.

Trade and other receivables

The Group records trade and other receivables initially at fair value and subsequently at amortised cost. This generally results in recognition at nominal value less an expected credit loss provision, which is recognised based on management's expectation of losses without regard to whether or not a specific impairment trigger has occurred.

Other non-current receivables

Other non-current receivables comprise finance lease receivables due from a joint venture and minority shareholdings in private companies. The Group accounts for finance lease receivables in the same way as for trade and other receivables.

The Group records minority shareholdings in private companies initially at fair value, including directly attributable transaction costs, and subsequently at fair value through other comprehensive income.

On disposal of a minority shareholding, the cumulative gain or loss previously recognised in other comprehensive income is included directly in retained earnings, without recycling it to the income statement.

Bank and other borrowings

The Group records bank and other borrowings initially at fair value, which equals the proceeds received, net of direct issue costs, and subsequently at amortised cost. The Group accounts for finance charges, including premiums payable on settlement or redemption and direct issue costs, using the effective interest rate method.

Trade payables

The Group records trade payables initially at fair value and subsequently at amortised cost. This generally results in recognition at nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less.

For the purposes of the cash flow statement, the Group includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management as a component of cash and cash equivalents.

Derivative financial instruments and hedging

The Group primarily uses derivatives to manage economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts, futures, swaps or options. The Group does not use derivatives for speculative purposes.

The Group recognises derivatives at fair value based on market prices or rates, or calculated using discounted cash flow or option pricing models.

The Group recognises changes in the fair value of derivatives in the income statement unless the derivative is designated in a hedging relationship, when recognition of the change in fair value depends on the nature of the item being hedged.

Significant accounting policies

for the 53 weeks ended 18 September 2021

The purpose of hedge accounting is to mitigate the impact on the Group of changes in foreign exchange or interest rates and commodity prices.

At the inception of each hedging relationship, the Group documents the hedging instrument, the hedged item, the risk management objectives and strategy for undertaking the hedge, and assesses hedge effectiveness.

During the life of each hedging relationship, the Group performs testing to demonstrate that the hedge remains effective.

For derivatives used as hedges of future cash flows, the Group recognises the change in fair value through other comprehensive income in either the the cost of hedging reserve (for the element of the change in fair value relating to the currency spread) or in the hedging reserve (for the remaining change in fair value). Any ineffective portion is recognised immediately in the income statement.

When the future cash flow results in the recognition of a non-financial asset or liability, then at the time that asset or liability is recognised, the Group includes the associated gains and losses previously recognised in the hedging reserve in the initial measurement of that asset or liability.

When the future cash flow does not result in the recognition of a non-financial asset or liability, the Group includes the associated gains and losses previously recognised in the hedging reserve in the income statement in the same period in which the hedged item affects profit or loss.

Hedges of the Group's net investment in foreign operations principally comprise borrowings in the currency of the investment's net assets.

For derivative or non-derivative financial instruments used as hedges of the Group's net investment in foreign operations, the Group recognises the change in fair value through other comprehensive income in the net investment hedging reserve. Any ineffective portion is recognised immediately in the income statement.

The Group discontinues hedge accounting when a hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, the Group retains the cumulative associated gain or loss recognised in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the income statement.

The Group economically hedges foreign currency exposure on recognised monetary assets and liabilities but does not normally seek hedge accounting. The Group records any derivatives held to hedge this exposure at fair value through profit and loss.

Intangible assets other than goodwill

Non-operating intangible assets are intangible assets that arise on business combinations and typically include technology, brands, customer relationships and grower agreements. The Group acquires operating intangible assets in the ordinary course of business, typically including computer software, land use rights and emissions trading licences.

The Group records intangible assets other than goodwill at cost less accumulated amortisation and impairment charges.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. Estimated useful lives are generally deemed to be no longer than:

Technology and brands – up to 15 years

Customer relationships – up to 10 years

Grower agreements – up to 10 years

Goodwill

Goodwill is defined under 'Business acquisitions' on page 156. Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies.

Goodwill is subject to an annual impairment review.

Research and development

The Group expenses research and development expenditure as incurred, unless development expenditure relates to products or processes which are technically and commercially feasible, in which case it is capitalised. The Group records capitalised development expenditure at cost less accumulated amortisation and impairment charges.

Impairment

The Group reviews the carrying amounts of its intangible assets and property, plant and equipment at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the indicated asset's recoverable amount. For goodwill and intangibles without a finite life, the Group does this at least annually.

The Group recognises an impairment charge in the income statement whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

The Group allocates impairment charges recognised in respect of CGUs first to reduce the carrying amount of any goodwill relating to that CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the Group discounts estimated future cash flows to present value using a pre-tax discount rate reflective of current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the Group determines recoverable amount for the CGU to which the asset belongs.

Reversals of impairment

The Group does not subsequently reverse impairments of goodwill. For other assets, the Group does reverse an impairment charge if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had previously been recognised.

Property, plant and equipment

The Group records property, plant and equipment at cost less accumulated depreciation and impairment charges.

The Group charges depreciation to the income statement on a straight-line basis over the estimated useful economic lives of each item sufficient to reduce it to its estimated residual value. Land is not depreciated. Estimated useful economic lives are generally deemed to be no longer than:

Freehold buildings	up to 66 years
Plant and equipment, fixtures and fittings	
– sugar factories, yeast plants, mills and bakeries	up to 20 years
– other operations	up to 12 years
Vehicles	up to 10 years
Sugar cane roots	up to 10 years

Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period.

In the 2020 financial year, the opening balance sheet was drawn up under IAS 17 *Leases*, with the adoption of IFRS 16 *Leases* on 15 September 2019 reflected as an opening balance adjustment in the 2020 financial year.

Since that date, where the Group is a lessee, the following accounting policy applied.

Right-of-use assets

The Group records right-of-use assets at cost at the commencement date of the lease, which is the date the underlying asset is available for use, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities.

Cost includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

The Group charges depreciation to the income statement on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

The Group records lease liabilities at the commencement date of the lease at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The Group subsequently measures lease liabilities at amortised cost using the effective interest rate method. The Group records the accretion and settlement of interest through accruals and reduces the carrying amount of lease liabilities for the capital element of lease payments made.

The carrying amount of lease liabilities is also remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases considered uniformly low-value.

The Group expenses lease payments on short-term leases and leases of low-value assets in the income statement.

Lessor accounting

When subleasing assets, the Group assesses the sublease classification with reference to the head lease right-of-use asset, which considers, among other factors, whether the sublease represents a majority of the remaining life of the head lease.

The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised, taking into account whether the sublet/head lease are above or below market rate.

The Group records amounts due from lessees under finance leases as a receivable at an amount equal to the net investment in the lease, calculated using the incremental borrowing rate at the date of recognition. The Group recognises any difference between the derecognised right-of-use asset and the newly recognised amounts due from lessees under finance leases in the income statement.

The Group recognises finance income over the lease term, reflecting a constant periodic rate of return on the net investment in the lease.

The Group recognises operating lease income as earned on a straight-line basis over the lease term.

Current biological assets

The Group records current biological assets at fair value less costs to sell.

The basis of valuation for growing cane is estimated sucrose content valued at estimated sucrose price for the following season, less estimated costs for harvesting and transport.

When harvested, the Group transfers growing cane to inventory at fair value less costs to sell.

Inventories

The Group records inventories at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses and an appropriate proportion of production and other overheads, calculated on a first-in first-out basis.

The Group records retail inventories at the lower of cost and net realisable value using the retail method, calculated on the basis of selling price less appropriate trading margin. All retail inventories are finished goods.

On acquisition of a business, the Group records inventories at fair value. Subsequently, the Group charges the book value of the inventories to adjusted operating profit as they are sold or used. Any fair value uplift, if significant, is charged below adjusted operating profit as the inventories are sold or used.

Grants

The Group recognises grants only when there is reasonable assurance that the Group will comply with the conditions attached and that the grants will be received. Grants receivable as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable.

Significant accounting policies

for the 53 weeks ended 18 September 2021

Hyperinflation

The Argentinian economy was designated hyperinflationary from 1 July 2018. The Group has applied IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Argentinian operations from the beginning of the 2019 financial year. IAS 29 requires that hyperinflationary adjustments are reflected from the start of the reporting period in which it is applied. For the Group's Argentinian operations this was 1 September 2018. The adjustments required by IAS 29 are set out below:

- adjustment of historical cost non-monetary assets and liabilities from their date of initial recognition to the balance sheet date to reflect the changes in purchasing power of the currency caused by inflation, according to the official indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE);
- adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively;
- adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency;
- the financial statements of the Group's Argentinian operations have been translated into sterling at the closing exchange rate at 18 September 2021 (ARS135.23:£1); and
- the cumulative impact corresponding to previous years has been reflected in other comprehensive income in the year.

The FACPCE index was 337.0632 at 31 August 2020 and 510.3942 at 31 August 2021. The inflation index for the year is therefore 1.5142.

The Venezuelan economy has been designated hyperinflationary for a number of years, but the impact on the Group's results remains immaterial.

New accounting policies

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

- 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).

Accounting estimates and judgements

for the 53 weeks ended 18 September 2021

In applying the accounting policies detailed on pages 155 to 160, the directors have made estimates in a number of areas. The actual outcome may differ from those estimates. Key sources of estimation uncertainty at the balance sheet date, with the potential for material adjustment to the carrying value of assets and liabilities within the next financial year, are set out below.

Impairment risk associated with COVID-19

The global spread of COVID-19 began in the first half of the 2020 financial year and continues to the date of these financial statements. The Group has specifically considered the impact of COVID-19 in performing its year end assessment of impairment risk.

Forecasts and discount rates

The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from the Group's operations which, in some circumstances, are discounted to arrive at a net present value.

Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Further details are included in note 8 for intangible assets and note 9 for property, plant and equipment.

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The Group recognises deferred tax assets to the extent that it is considered probable that sufficient taxable profits will be available in the future.

The judgement as to whether to recognise deferred tax assets is based on the following year's budget and expectations of the future performance of each business. Particular focus has been given to the potential impact of COVID-19 on the recoverability of deferred tax assets.

Deferred tax assets are reduced to the extent that it is no longer considered probable that the related tax benefit will be realised.

Further details of deferred tax assets are included in note 13.

Post-retirement benefits

The Group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19 *Employee Benefits*. The accounting valuation, which has been assessed using assumptions determined with independent actuarial advice, resulted in a net surplus of £493m being recognised as at 18 September 2021. The size of this surplus is sensitive to the market value of the assets held by the schemes, to the discount rate used in assessing liabilities, to the actuarial assumptions (which include price inflation, rates of pension and salary increases, mortality and other demographic assumptions) and to the level of contributions. Further details are included in note 12.

Biological assets

In valuing growing cane, estimating sucrose content requires management to assess expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. Estimating sucrose price requires management to assess into which markets the forthcoming crop will be sold and to assess domestic and export prices as well as related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 17.

Taxation

The Group makes provision for open tax issues including, in a number of jurisdictions, routine tax audits which are by nature complex and may take a number of years to resolve. The Group bases provisions on management's interpretation of tax law in each country and ongoing monitoring of the outcome of EU cases and investigations on tax rulings, and reflect the best estimate of the liability. The Group believes it has made adequate provision for such matters.

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

1. Operating segments

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances.

Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, right-of-use assets, operating intangibles and biological assets.

Businesses disposed are shown separately and comparatives are re-presented for businesses sold or closed during the year.

The Group comprises the following operating segments:

Grocery

The manufacture of grocery products, including hot beverages, sugar and sweeteners, vegetable oils, balsamic vinegars, bread and baked goods, cereals, ethnic foods, and meat products, which are sold to retail, wholesale and foodservice businesses.

Sugar

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

Agriculture

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

Ingredients

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

Retail

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

Geographical information

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

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

	Revenue		Adjusted operating profit	
	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 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 and equipment and right-of-use assets	–	–	–	10	–	–	10

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

1. Operating segments *continued*

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 of right-of-use assets)	(109)	(85)	(16)	(57)	(546)	(14)	(827)
Amortisation	(62)	(2)	(2)	(7)	(14)	(2)	(89)
Impairment of property, plant and equipment and right-of-use assets	(15)	–	–	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	(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 of right-of-use assets)	(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 of right-of-use assets)	(292)	(397)	(70)	(68)	(827)
Amortisation	(48)	(27)	(6)	(8)	(89)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of property, plant and equipment and right-of-use assets	(15)	–	–	–	(15)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(2)	(2)
Impairment of right-of-use assets on sale and closure of businesses	–	–	–	(2)	(2)
Transaction costs	–	(1)	–	(1)	(2)
Exceptional items	(4)	(108)	(44)	–	(156)

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 (see note 15).

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

2. Operating costs

	Note	2021 £m	2020 £m
Operating costs			
Cost of sales (including amortisation of intangibles)		**10,753**	10,800
Distribution costs		**1,303**	1,293
Administration expenses		**952**	953
Exceptional items		**151**	156
		13,159	13,202
Operating costs are stated after charging/(crediting):			
Employee benefits expense	3	**2,639**	2,505
Amortisation of non-operating intangibles	8	**48**	56
Amortisation of operating intangibles	8	**26**	33
Acquired inventory fair value adjustments		**3**	15
Profits less losses on disposal of non-current assets		**(4)**	(18)
Depreciation of property, plant and equipment	9	**535**	538
Depreciation of right-of-use assets and non-cash lease adjustments	10	**288**	289
Impairment of property, plant and equipment and right-of-use assets		**–**	15
Transaction costs		**3**	2
Effect of hyperinflationary economies		**7**	5
Other operating income		**(23)**	(27)
Research and development expenditure		**34**	31
Fair value gains on financial assets and liabilities held for trading		**(15)**	(97)
Fair value losses on financial assets and liabilities held for trading		**12**	69
Foreign exchange gains on operating activities		**(31)**	(51)
Foreign exchange losses on operating activities		**33**	59

Transaction costs of £3m and amortisation of non-operating intangibles of £50m (2020 – £2m and £59m) shown as adjusting items in the income statement, include £nil and £2m respectively (2020 – £nil and £3m respectively) incurred by joint ventures, in addition to the amounts shown above.

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.

Auditor's remuneration	2021 £m	2020 £m
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	**1.4**	1.5
Audit of the Company's subsidiaries' financial statements	**7.0**	6.6
Total audit remuneration	**8.4**	8.1
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	**0.4**	0.4
All other services	**0.3**	0.3
Total non-audit related remuneration	**0.7**	0.7

3. Employees

	2021 £m	2020 £m
Average number of employees		
United Kingdom	**42,696**	46,066
Europe & Africa	**67,681**	69,571
The Americas	**6,081**	5,627
Asia Pacific	**11,454**	12,161
	127,912	133,425

	Note	2021 £m	2020 £m
Employee benefits expense			
Wages and salaries		**2,209**	2,093
Social security contributions		**282**	278
Contributions to defined contribution schemes	12	**81**	79
Charge for defined benefit schemes	12	**50**	47
Equity-settled share-based payment schemes	24	**17**	8
		2,639	2,505

Primark's major cost-reduction exercises during lockdowns included accessing government job retention schemes across Europe. In total this year, Primark received some £123m (2020 – £98m), recorded as a reduction to staff costs. £94m of these job retention scheme monies was repaid to the governments of the UK, the Republic of Ireland, Portugal, Czechia and Slovenia where there was an established process for repayment of these monies. This has been recorded in the income statement.

Details of directors' remuneration, share incentives and pension entitlements are shown in the Remuneration Report on pages 117 to 135.

4. Interest and other financial income and expense

	Note	2021 £m	2020 £m
Finance income			
Cash and cash equivalents		**9**	11
		9	11
Finance expense			
Bank loans and overdrafts		**(16)**	(29)
All other borrowings		**(10)**	(10)
Lease liabilities	10	**(84)**	(84)
Other payables		**(1)**	(1)
		(111)	(124)
Other financial (expense)/income			
Interest income on employee benefit scheme assets	12	**69**	83
Interest charge on employee benefit scheme liabilities	12	**(69)**	(80)
Interest charge on irrecoverable surplus	12	**(1)**	(1)
Net financial (expense)/income from employee benefit schemes		**(1)**	2
Net foreign exchange gains on financing activities		**–**	1
Total other financial (expense)/income		**(1)**	3

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5. 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 of 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.

Deferred taxation balances are analysed in note 13.

6. 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.

7. 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.

Transaction costs of £3m and amortisation of non-operating intangibles of £50m (2020 – £2m and £59m) shown as adjusting items below include £nil and £2m respectively (2020 – £nil and £3m respectively) incurred by joint ventures.

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 790 million (2020 – 790 million). There is no difference between basic and diluted earnings.

	2021 £m	2020 £m
Adjusted profit for the period	**633**	641
Disposal of non-current assets	**4**	18
Sale and closure of businesses	**20**	(14)
Acquired inventory fair value adjustments	**(3)**	(15)
Transaction costs	**(3)**	(2)
Exceptional items	**(151)**	(156)
Tax effect on above adjustments	**23**	36
Amortisation of non-operating intangibles	**(50)**	(59)
Tax credit on non-operating intangibles amortisation and goodwill	**5**	6
Profit for the period attributable to equity shareholders	**478**	455

	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

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8. Intangible assets

		Non-operating					Operating	
	Goodwill £m	Technology £m	Brands £m	Customer relationships £m	Grower agreements £m	Other £m	Other £m	Total £m
Cost								
At 14 September 2019	1,293	207	437	280	122	6	492	2,837
Acquisitions – externally purchased	–	–	–	–	–	–	74	74
Acquired through business combinations	6	7	7	1	–	–	–	21
Other disposals	–	–	–	–	–	–	(29)	(29)
Effect of hyperinflationary economies	4	–	–	–	–	–	–	4
Effect of movements in foreign exchange	(22)	(4)	(3)	–	(19)	(1)	10	(39)
At 12 September 2020	1,281	210	441	281	103	5	547	2,868
Acquisitions – externally purchased	–	–	–	–	–	–	96	96
Acquired through business combinations	–	16	–	3	–	–	1	20
Other disposals	–	–	–	–	–	–	(20)	(20)
Effect of hyperinflationary economies	4	–	–	–	–	–	–	4
Effect of movements in foreign exchange	(49)	(12)	(12)	(13)	6	–	(33)	(113)
At 18 September 2021	**1,236**	**214**	**429**	**271**	**109**	**5**	**591**	**2,855**
Amortisation and impairment								
At 14 September 2019	90	207	341	153	122	6	237	1,156
Amortisation for the year	–	–	24	32	–	–	33	89
Impairment	23	–	–	–	–	–	–	23
Other disposals	–	–	–	–	–	–	(6)	(6)
Effect of movements in foreign exchange	2	(3)	(2)	(3)	(19)	(1)	3	(23)
At 12 September 2020	115	204	363	182	103	5	267	1,239
Amortisation for the year	–	2	20	26	–	–	26	74
Impairment	–	–	–	–	–	–	2	2
Effect of movements in foreign exchange	(3)	(11)	(11)	(8)	6	–	(14)	(41)
At 18 September 2021	**112**	**195**	**372**	**200**	**109**	**5**	**281**	**1,274**
Net book value								
At 14 September 2019	1,203	–	96	127	–	–	255	1,681
At 12 September 2020	1,166	6	78	99	–	–	280	1,629
At 18 September 2021	**1,124**	**19**	**57**	**71**	**–**	**–**	**310**	**1,581**

Amortisation of non-operating intangibles of £50m (2020 – £59m) shown as an adjusting item in the income statement includes £2m (2020 – £3m) incurred by joint ventures in addition to the amounts shown above.

Impairment

As at 18 September 2021, the consolidated balance sheet included goodwill of £1,124m (2020 – £1,166m). Goodwill is allocated to the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill, as follows:

CGU or group of CGUs	Primary reporting segment	Discount rate	2021 £m	2020 £m
Acetum	Grocery	13.0%	**90**	98
ACH	Grocery	14.9%	**174**	187
AB Mauri	Ingredients	14.1%	**267**	285
Twinings Ovaltine	Grocery	11.3%	**119**	119
Illovo	Sugar	25.7%	**104**	98
AB World Foods	Grocery	11.3%	**78**	78
Other (not individually significant)	Various	Various	**292**	301
			1,124	1,166

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. There has been no change in CGUs or group of CGUs from the prior year.

The carrying value of goodwill is assessed by reference to its value in use reflecting the projected cash flows of each of the CGUs or group of CGUs. These projections are based on the most recent budget, which has been approved by the Board and reflects management's expectations of sales growth, operating costs and margin, based on past experience and external sources of information. Long-term growth rates for periods not covered by the annual budget reflect the products, industries and countries in which the relevant CGU, or group of CGUs, operate.

For some recently acquired intangible assets, management expects to achieve growth over the next three to five years in excess of the long-term growth rates for the applicable country or region. In these circumstances, budgeted cash flows are extended, generally to between three and five years, using specific growth assumptions and taking into account the specific business risks.

The key assumptions in the most recent annual budget on which the cash flow projections are based relate to discount rates, growth rates and expected changes in volumes, selling prices and direct costs.

The cash flow projections have been discounted using a pre-tax weighted average cost of capital for each business, adjusted for country, industry and market risk. The rates used were between 9.8% and 25.7% (2020 – between 9.7% and 20.0%).

The long-term growth rates beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that are significant to the total carrying amount of goodwill, were in a range between 0% and 8.3%, consistent with the inflation factors included in the discount rates applied (2020 – between 0% and 6.5%).

Changes in volumes, selling prices and direct costs are based on past results and expectations of future changes in the market.

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates. Each of the Group's CGUs had headroom under the annual impairment review.

AB Mauri full year trading was ahead of the prior year and globally our markets experienced some improving trends but remain challenging. Sales were also strong to industrial bakery customers but demand from foodservice and craft bakers was lower. Nevertheless, AB Mauri continues to experience competitive pricing pressure in a number of markets around the world as well as challenging macroeconomic conditions in some markets, including high inflation rates and currency devaluations. Accordingly, management has again undertaken an impairment review. Detailed forecasts for a period of five years to reflect the time required for completion of the business plan were prepared and management concluded that the assets were not impaired. Key drivers of the forecast improvement in performance include achievement of price increases in high inflation environments, improved reach and competitiveness in the global dry yeast market, implementation of a number of margin improvement initiatives, particularly in cost reduction, and continuing growth in the global bakery ingredients business. Headroom was $232m on a CGU carrying value of $1,003m (2020 – headroom of $202m on a CGU carrying value of $831m). The geographic diversity and varying local economic environments of AB Mauri's operations mean that the critical assumptions underlying the detailed forecasts used in the impairment model are wide-ranging. It is therefore impractical to provide meaningful sensitivities to these assumptions other than the discount rate. The discount rate used was 14.1% (2020 – 13.9%) and would have to increase to more than 16.3% (2020 – 16.2%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2–3% (2020 – 2–3%) per annum dependent on location.

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9. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Sugar cane roots £m	Total £m
Cost						
At 14 September 2019	2,759	3,967	3,777	262	87	10,852
IFRS 16 opening balance adjustment	(28)	(1)	(6)	–	–	(35)
Acquisitions – externally purchased	22	90	147	278	10	547
Other disposals	(20)	(76)	(7)	–	–	(103)
Transfers from assets under construction	12	127	34	(173)	–	–
Effect of movements in foreign exchange	(2)	(72)	69	2	(13)	(16)
At 12 September 2020	2,743	4,035	4,014	369	84	11,245
Acquisitions – externally purchased	56	50	119	304	10	539
Other disposals	(15)	(40)	(8)	–	–	(63)
Transfers from assets under construction	10	126	77	(213)	–	–
Transfer to assets classified as held for sale	(6)	(25)	–	–	–	(31)
Effect of movements in foreign exchange	(81)	(138)	(183)	(20)	(2)	(424)
At 18 September 2021	**2,707**	**4,008**	**4,019**	**440**	**92**	**11,266**
Depreciation and impairment						
At 14 September 2019	690	2,585	1,768	–	40	5,083
IFRS 16 opening balance adjustment	(10)	(1)	(4)	–	–	(15)
Depreciation for the year	50	186	292	–	10	538
Impairment	5	26	34	–	–	65
Impairment on sale and closure of business	–	2	–	–	–	2
Other disposals	(15)	(73)	(4)	–	–	(92)
Effect of movements in foreign exchange	1	(43)	62	–	(7)	13
At 12 September 2020	721	2,682	2,148	–	43	5,594
Depreciation for the year	51	180	296	–	8	535
Impairment	24	112	3	–	–	139
Reversal of impairment on sale and closure of business	(3)	(7)	–	–	–	(10)
Other disposals	(7)	(36)	(6)	–	–	(49)
Transfer to assets classified as held for sale	(3)	(18)	–	–	–	(21)
Effect of movements in foreign exchange	(24)	(86)	(98)	–	–	(208)
At 18 September 2021	**759**	**2,827**	**2,343**	–	**51**	**5,980**
Net book value						
At 14 September 2019	2,069	1,382	2,009	262	47	5,769
At 12 September 2020	2,022	1,353	1,866	369	41	5,651
At 18 September 2021	**1,948**	**1,181**	**1,676**	**440**	**41**	**5,286**

	2021 £m	2020 £m
Capital expenditure commitments – contracted but not provided for	**307**	334

In addition to the amounts disclosed above, there are £10m (2020 – £30m) of property, plant and equipment classified as assets held for sale (see note 15). Of this, £3m (2020 – £13m) is freehold land and buildings.

Impairment

The methodology used to assess property, plant and equipment for impairment is the same as that described for impairment assessments of goodwill. See note 8 for further details. In addition where the fair value less costs of disposal is higher than value in use, this methodology has been used to determine the recoverable amount. This method uses inputs that are unobservable, using the best information available in the circumstances for valuing the CGU, and therefore falls into the Level 3 category of fair value measurement.

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. As in prior years, management has conducted an impairment assessment using projections over five years. Our current view for yield and sugar content from beet sugar and our lower estimated margins due to expected increases in raw refining volumes in the future has resulted in a non-cash exceptional charge of €136m to write down the book value of property, plant and equipment and operating intangibles from €193m to €57m (2020 – no impairment of plant, property and equipment but there was a €26m impairment of goodwill). €134m of the impairment charge relates to property, plant and equipment and the remaining €2m relates to operating intangibles. Estimates of long-term growth rates beyond the forecast period were 2% (2020 – 2%). The carrying value is sensitive to assumptions around beet crop area, discount rate and long-term carbon pricing (where climate change is addressed by creating financial incentives for companies to lower their emissions), and sugar price. A sensitivity of +/- 5% on long-term beet area affects carrying value by +/- €18m, and a movement in carbon pricing of +/- €5 per tonne changes carrying value by +/- €3m. Applying sensitivity of +/- 1% to the sugar price will change the carrying value by €9m. Increasing the discount rate used from 11.7% (2020 – 12.1%) to 11.9% reduces carrying value by €3m.

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.

An impairment of A$150m (£98m) was recorded in 2012 in the Australian meat business. Following a detailed assessment, management has concluded that the carrying value of the assets in the meat business is not further impaired. Headroom was A$63m on a CGU carrying value of A$292m (2020 – headroom of A$61m on a CGU carrying value of A$346m). The discount rate used was 8.5% (2020 – 10.7%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2020 –2.0%) per annum. A sensitivity of +/- 1% on the discount rate decreases/increases headroom by A$51m either way (2020 – A$38m and A$47m respectively).

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10. Leases

Most of the Group's right-of-use assets are associated with our leased property portfolio in the Retail segment.

Right-of-use assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
IFRS 16 opening balance adjustment at 15 September 2019	3,170	33	1	3,204
Additions	165	13	–	178
Lease incentives	(35)	–	–	(35)
Other movements	(18)	1	–	(17)
Effect of movements in foreign exchange	63	–	–	63
At 12 September 2020	3,345	47	1	3,393
Additions	97	18	1	116
Lease incentives	(18)	–	–	(18)
Other movements	(6)	–	–	(6)
Effect of movements in foreign exchange	(157)	(2)	–	(159)
At 18 September 2021	**3,261**	**63**	**2**	**3,326**
Depreciation and impairment				
Depreciation for the year	291	16	1	308
Impairment	85	1	–	86
Effect of movements in foreign exchange	9	–	–	9
At 12 September 2020	385	17	1	403
Depreciation for the year	279	17	–	296
Other movements	–	(1)	–	(1)
Effect of movements in foreign exchange	(20)	(1)	–	(21)
At 18 September 2021	**644**	**32**	**1**	**677**
Net book value				
At 12 September 2020	2,960	30	–	2,990
At 18 September 2021	**2,617**	**31**	**1**	**2,649**

Impairment

The methodology used to assess right-of-use assets for impairment is the same as that described for impairment assessments of goodwill. See note 8 for further details.

In the year there was no impairment of right-of-use assets. In 2020 there was an £86m impairment charge, of which £82m related to Primark (in exceptional items), £2m related to Allied Bakeries (in operating profit) and £2m related to Jasol New Zealand (in loss on closure of business).

Lease liability

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
IFRS 16 opening balance adjustment at 15 September 2019	3,641	36	1	3,678
Additions	165	13	–	178
Interest expense relating to lease liabilities	83	1	–	84
Repayment of lease liability	(299)	(15)	(1)	(315)
Other movements	(36)	–	–	(36)
Effect of movements in foreign exchange	66	–	–	66
At 12 September 2020	3,620	35	–	3,655
Additions	91	18	1	110
Interest expense relating to lease liabilities	83	1	–	84
Repayment of lease liability	(354)	(19)	(1)	(374)
Other movements	(11)	1	–	(10)
Effect of movements in foreign exchange	(167)	(2)	–	(169)
At 18 September 2021	**3,262**	**34**	–	**3,296**

	2021 £m	2020 £m
Current	**304**	313
Non-current	**2,992**	3,342
	3,296	3,655

Lease liabilities comprise £3,281m (2020 – £3,639m) capital payable and £15m (2020 – £16m) interest payable. The interest payable is all current and disclosed within trade and other payables. Repayments comprise £290m (2020 – £247m) capital and £84m (2020 – £68m) interest.

Other information relating to leases

The Group had the following expense relating to short-term leases and low-value leases:

	2021 £m	2020 £m
Land and buildings	**1**	2
Plant and machinery	**1**	2
Fixtures and fittings	**2**	1
	4	5

The Group expensed £1m (2020 – £1m) of variable lease payments that do not form part of the lease liability. Cash outflows of £2m (2020 – £2m) that do not form part of the lease liability are expected to be made in the next 12 months.

Rental receipts of £6m (2020 – £7m) were recognised relating to operating leases. The total of future minimum rental receipts expected to be received is £45m (2020 – £38m). £17m (2020 – £9m) is due to be received in respect of sub-leasing right-of-use assets.

11. Investments in joint ventures and associates

	Joint ventures £m	Associates £m
At 14 September 2019	225	50
Acquisitions	–	1
Profit for the period	46	11
Dividends received	(38)	(5)
Effect of movements in foreign exchange	–	(1)
At 12 September 2020	233	56
Acquisitions	43	–
Profit for the period	66	13
Dividends received	(58)	(5)
Effect of movements in foreign exchange	(6)	(4)
At 18 September 2021	**278**	**60**

Details of joint ventures and associates are listed in note 29.

Included in the consolidated financial statements are the following items that represent the Group's share of the assets, liabilities and profit of joint ventures and associates:

	Joint ventures		Associates	
	2021 £m	2020 £m	2021 £m	2020 £m
Non-current assets	**160**	145	**38**	33
Current assets	**441**	372	**302**	224
Current liabilities	**(285)**	(258)	**(278)**	(199)
Non-current liabilities	**(57)**	(45)	**(3)**	(3)
Goodwill	**19**	19	**1**	1
Net assets	**278**	233	**60**	56
Revenue	**1,566**	1,445	**914**	792
Profit for the period	**66**	46	**13**	11

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

12. Employee entitlements

The Group operates a number of defined benefit and defined contribution retirement benefit schemes in the UK and overseas.

The defined benefit schemes expose the Group to a variety of actuarial risks including demographic assumptions such as mortality and financial assumptions such as discount rate, inflation risk and market (investment) risk. The Group is not exposed to any unusual, entity-specific or scheme-specific risks. All schemes comply with local legislative requirements.

UK defined benefit scheme

The Group's principal UK defined benefit scheme is the Associated British Foods Pension Scheme (the 'Scheme'), which is a funded final salary scheme that is closed to new members. Defined contribution arrangements are in place for other employees. The UK defined benefit scheme represents 91% (2020 – 91%) of the Group's defined benefit scheme assets and 88% (2020 – 88%) of defined benefit scheme liabilities. The Scheme is governed by a trustee board which is independent of the Group and which agrees a schedule of contributions with the Company each time a formal funding valuation is performed.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2020, using the current unit method, and revealed a deficit of £302m. The market value of the Scheme assets was £3,317m, representing 92% of members' accrued benefits after allowing for expected future salary increases.

The Scheme's assets are managed using a risk-controlled investment strategy, which includes a liability-driven investment policy that seeks to match, where appropriate, the profile of the liabilities. This includes the use of derivative instruments to hedge inflation, interest and foreign exchange risks. The Scheme utilises both market and solvency triggers to develop the level of hedges in place. To date, the Scheme is fully hedged for 75% of inflation sensitivity and 48% of interest rate risk. It is intended to hedge 80% of total exposure.

The Scheme is forbidden by the trust deed from holding direct investments in the equity of the Company, although it is possible that the Scheme may hold indirect interests through investments in some equity funds.

The Guaranteed Minimum Pension is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997. On 26 October 2018, the High Court of Justice of England and Wales ruled that GMPs must be equalised in respect of retirement ages for men and women for all pensionable service after 17 May 1990. This impacted the Group's UK defined benefit scheme and the ruling set out a number of methodologies that could be used to calculate the impact. The Group adopted method C2 to identify its best estimate of the additional liabilities. This was charged as an exceptional past service cost in the income statement in the 2019 financial year, since the liabilities related to employee service between 1990 and 1997 and had no link to current business performance. Subsequent changes were accounted for in other comprehensive income.

Following a further High Court ruling on 20 November 2020 regarding the equalisation of GMPs, a further £4m exceptional past service cost was charged in the income statement in the current financial year, assessed using market conditions at the date of the ruling as required by IAS 19.

Overseas defined benefit schemes

The Group also operates defined benefit retirement schemes in a number of overseas businesses, which are primarily funded final salary schemes, as well as a small number of unfunded post-retirement medical benefit schemes, which are accounted for in the same way as defined benefit retirement schemes.

Defined contribution schemes

The Group operates a number of defined contribution schemes for which the charge was £40m in the UK and £41m overseas, totalling £81m (2020 – UK £40m, overseas £39m, totalling £79m).

Actuarial assumptions

The principal actuarial assumptions for the Group's defined benefit schemes at the year end were:

	2021 UK %	**2021 Overseas %**	2020 UK %	2020 Overseas %
Discount rate	**1.8**	**0-14.1**	1.6	0-14.8
Inflation	**2.6-3.4**	**0-12.4**	2.2-3.3	0-12.0
Rate of increase in salaries	**3.7-4.3**	**0-12.0**	3.2-4.3	0-12.0
Rate of increase for pensions in payment	**2.1-3.2**	**0-12.0**	2.0-3.1	0-12.0
Rate of increase for pensions in deferment (where provided)	**2.5-2.7**	**0-2.0**	2.2-2.3	0-2.0

The UK inflation assumption includes assumptions on both the Retail Price Index and Consumer Price Index measures of inflation on the basis that the gap between the two measures is expected to remain stable in the long term.

The mortality assumptions used to value the UK defined benefit schemes in 2021 are derived from the S3 mortality tables with improvements in line with the 2019 projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession (2020 – S2 mortality tables with improvements in line with the 2018 projection model), with a 0-year rating movement for males and females (2020 – 0-year rating movement for males and females), both with a long-term trend of 1.5% (2020 – 1.5%). These mortality assumptions take account of experience to date, and assumptions for further improvements in life expectancy of scheme members. Examples of the resulting life expectancies in the UK defined benefit schemes are as follows:

	2021		2020	
Life expectancy from age 65 (in years)	Male	Female	Male	Female
Member aged 65 in 2021 (2020)	22.1	24.3	21.6	24.3
Member aged 65 in 2041 (2040)	23.7	26.1	23.3	26.1

An allowance has been made for cash commutation in line with emerging scheme experience. Other demographic assumptions for the UK defined benefit schemes are set having regard to the latest trends in scheme experience and other relevant data.

The assumptions are reviewed and updated as necessary as part of the periodic funding valuation of the schemes.

For the overseas schemes, regionally appropriate assumptions for mortality, financial and demographic factors have been used.

A sensitivity analysis on the principal assumptions used to measure UK defined benefit scheme liabilities at 18 September 2021 is:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.25%	increase by 4.5%/decrease by 4.2%
Inflation	increase/decrease by 0.25%	increase by 2.7%/decrease by 2.8%
Rate of real increase in salaries	increase/decrease by 0.25%	increase/decrease by 0.7%
Rate of mortality	reduce/increase by one year	increase/decrease by 4.2%

A sensitivity to the rate of increase in pensions in payment and pensions in deferment is represented by the inflation sensitivity, as all pensions increases and deferred revaluations are linked to inflation.

The sensitivity analysis above has been determined based on reasonably possible changes in the respective assumptions occurring at the end of the period and may not be representative of the actual change. It is based on a change in the specific assumption while holding all other assumptions constant. When calculating the sensitivities, the same method used to calculate scheme liabilities recognised in the balance sheet has been applied. The method and assumptions used in preparing the sensitivity analysis have not changed since the prior year.

Balance sheet

	2021			2020		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Equities	1,246	194	1,440	1,115	189	1,304
Government bonds	840	86	926	755	52	807
Corporate and other bonds	812	49	861	715	62	777
Property	360	29	389	345	26	371
Cash and other assets	1,057	55	1,112	831	63	894
Scheme assets	4,315	413	4,728	3,761	392	4,153
Scheme liabilities	(3,719)	(490)	(4,209)	(3,705)	(501)	(4,206)
Aggregate net surplus/(deficit)	596	(77)	519	56	(109)	(53)
Irrecoverable surplus*	–	(26)	(26)	–	(13)	(13)
Net pension asset/(liability)	596	(103)	493	56	(122)	(66)
Analysed as						
Schemes in surplus	633	7	640	94	6	100
Schemes in deficit	(37)	(110)	(147)	(38)	(128)	(166)
	596	(103)	493	56	(122)	(66)
Unfunded liability included in the present value of scheme liabilities above	(37)	(66)	(103)	(38)	(64)	(102)

* The surpluses in the plans are only recoverable to the extent that the Group can benefit from either refunds formally agreed or from future contribution reductions.

UK Scheme
Scheme assets include £345m (2020 – £235m) of derivative instruments, £482m (2020 – £440m) of corporate debt instruments and £1,394m (2020 – £710m) of government debt.

Corporate and other bonds assets of £812m (2020 – £715m) include £225m (2020 – £187m) of assets whose valuation is not derived from quoted market prices. The valuation for all other equity assets, government bonds, and corporate and other bonds is derived from quoted market prices. The carrying value of UK property assets is based on a 30 June market valuation, adjusted for purchases, disposals and price indexation between the valuation and the balance sheet date. Cash and other assets includes £697m (2020 – £547m) of assets whose valuation is not derived from quoted market prices.

Notes forming part of the financial statements

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12. Employee entitlements *continued*

For financial reporting in the Group's financial statements, liabilities are assessed by actuaries using the projected unit method.

The accounting value is different from the result obtained using the funding basis, mainly due to different assumptions used to project scheme liabilities.

The defined benefit scheme liabilities comprise 26% (2020 – 25%) in respect of active participants, 23% (2020 – 24%) for deferred participants and 51% (2020 – 51%) for pensioners.

The weighted average duration of the defined benefit scheme liabilities at the end of the year is 17 years for both UK and overseas schemes (2020 – 18 years for both UK and overseas schemes).

Income statement

The charge to the income statement for employee benefit schemes comprises:

	2021 £m	2020 £m
Charged to operating profit:		
Defined benefit schemes		
Current service cost	**(46)**	(47)
Past service cost	**(4)**	–
Defined contribution schemes	**(81)**	(79)
Total operating cost	**(131)**	(126)
Reported in other financial (expense)/income:		
Net interest income on the net pension asset	**–**	3
Interest charge on irrecoverable surplus	**(1)**	(1)
Net impact on profit before tax	**(132)**	(124)

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £39m (2020 – £34m) and benefits paid in respect of unfunded schemes of £3m (2020 – £3m). Contributions to funded defined benefit schemes are subject to periodic review. Contributions to defined contribution schemes amounted to £81m (2020 – £79m).

Total contributions to funded schemes and benefit payments by the Group in respect of unfunded schemes in 2022 are currently expected to be approximately £30m in the UK and £10m overseas, totalling £40m (2020 – UK £31m, overseas £11m, totalling £42m).

Other comprehensive income

Remeasurements of the net pension asset recognised in other comprehensive income are as follows:

	2021 £m	2020 £m
Return on scheme assets excluding amounts included in net interest in the income statement	**664**	(13)
Actuarial losses arising from changes in financial assumptions	**(101)**	(144)
Actuarial (losses)/gains arising from changes in demographic assumptions	**(4)**	44
Experience gains on scheme liabilities	**12**	29
Change in unrecognised surplus	**(12)**	(5)
Remeasurements of the net pension asset	**559**	(89)

Reconciliation of change in assets and liabilities

	2021 assets £m	2020 assets £m	2021 liabilities £m	2020 liabilities £m	2021 net £m	2020 net £m
At beginning of year	**4,153**	4,206	**(4,206)**	(4,164)	**(53)**	42
Current service cost	**–**	–	**(46)**	(47)	**(46)**	(47)
Employee contributions	**7**	7	**(7)**	(7)	**–**	–
Employer contributions	**39**	34	**–**	–	**39**	34
Benefit payments	**(179)**	(165)	**182**	168	**3**	3
Past service cost	**–**	–	**(4)**	–	**(4)**	–
Interest income/(expense)	**69**	83	**(69)**	(80)	**–**	3
Return on scheme assets less interest income	**664**	(13)	**–**	–	**664**	(13)
Actuarial losses arising from changes in financial assumptions	**–**	–	**(101)**	(144)	**(101)**	(144)
Actuarial (losses)/gains arising from changes in demographic assumptions	**–**	–	**(4)**	44	**(4)**	44
Experience gains on scheme liabilities	**–**	–	**12**	29	**12**	29
Effect of movements in foreign exchange	**(25)**	1	**34**	(5)	**9**	(4)
At end of year	**4,728**	4,153	**(4,209)**	(4,206)	**519**	(53)

Reconciliation of change in irrecoverable surplus

	2021 £m	2020 £m
At beginning of year	**(13)**	(9)
Change recognised in other comprehensive income	**(12)**	(5)
Interest charge on irrecoverable surplus	**(1)**	(1)
Effect of movements in foreign exchange	**–**	2
At end of year	**(26)**	(13)

13. Deferred tax assets and liabilities

	Property, plant and equipment £m	Intangible assets £m	Leases £m	Employee benefits £m	Financial assets and liabilities £m	Provisions and other temporary differences £m	Tax value of carry-forward losses £m	Total £m
At 14 September 2019	142	95	–	–	(2)	(100)	(34)	101
IFRS 16 opening balance adjustment	–	–	(62)	–	–	21	–	(41)
Amount credited to the income statement	(5)	(9)	(28)	–	–	(8)	(1)	(51)
Amount credited to equity	–	–	–	(19)	–	(2)	–	(21)
Acquired through business combinations	–	2	–	–	–	–	1	3
Effect of changes in tax rates on income statement	13	3	(1)	(1)	–	(1)	–	13
Effect of changes in tax rates on equity	–	–	–	4	–	–	–	4
Effect of hyperinflationary economies taken to operating profit	2	–	–	–	–	–	–	2
Effect of movements in foreign exchange	(11)	(1)	(2)	–	–	–	2	(12)
At 12 September 2020	141	90	(93)	(16)	(2)	(90)	(32)	(2)
Amount credited to the income statement	**(36)**	**(6)**	**(8)**	**(1)**	**–**	**5**	**2**	**(44)**
Amount credited to equity	**–**	**–**	**–**	**105**	**14**	**–**	**–**	**119**
Acquired through business combinations	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**5**
Effect of changes in tax rates on income statement	**29**	**6**	**(6)**	**(3)**	**–**	**(5)**	**(4)**	**17**
Effect of changes in tax rates on equity	**–**	**–**	**–**	**39**	**–**	**–**	**–**	**39**
Effect of hyperinflationary economies taken to operating profit	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**2**
Effect of movements in foreign exchange	**1**	**(5)**	**6**	**1**	**–**	**6**	**–**	**9**
At 18 September 2021	**137**	**90**	**(101)**	**125**	**12**	**(84)**	**(34)**	**145**

Provisions and other temporary differences include provisions of £(93)m, biological assets of £29m, tax credits of £(15)m and other temporary differences of £(5)m.

Certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	2020 £m
Deferred tax assets	**(218)**	(212)
Deferred tax liabilities	**363**	210
	145	(2)

Deferred tax assets have not been recognised in respect of tax losses of £310m (2020 – £238m) and other temporary differences of £107m (2020 – £119m). Of the total tax losses, £170m (2020 – £162m) will expire at various dates between 2021 and 2026. These deferred tax assets have not been recognised on the basis that their future economic benefit is not probable.

In addition, the Group's overseas subsidiaries have net unremitted earnings of £2,537m (2020 – £2,497m), resulting in temporary differences of £1,167m (2020 – £1,010m). No deferred tax has been provided in respect of these differences since the timing of the reversals can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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14. Trade and other receivables

	2021 £m	2020 £m
Non-current – other receivables		
Loans and receivables	**32**	39
Other non-current investments	**23**	6
	55	45
Current – trade and other receivables		
Trade receivables	**1,021**	1,022
Other receivables	**178**	159
Accrued income	**16**	15
	1,215	1,196
Prepayments and other non-financial receivables	**152**	132
	1,367	1,328

In addition to the amounts disclosed above, there are no trade and other receivables (2020 – £4m) classified as assets held for sale (see note 15).

The directors consider that the carrying amount of receivables approximates fair value.

For details of credit risk exposure on trade and other receivables, see note 26.

Trade and other receivables include £32m (2020 – £40m) in respect of finance lease receivables, with £28m in non-current loans and receivables and £4m in current other receivables (2020 – £35m in non-current loans and receivables and £5m in current other receivables). Minimum lease payments receivable are £4m within one year, £17m between one and five years and £11m in more than five years (2020 – £5m within one year, £18m between one and five years and £17m in more than five years).

The finance lease receivables relate to property, plant and equipment leased to a joint venture of the Group (see note 28).

15. Assets and liabilities classified as held for sale

Following the creation of a joint venture in China with Wilmar International, AB Mauri sold two yeast and bakery ingredients companies to the joint venture, which was completed in the second quarter of 2021. At year end, AB Mauri agreed the sale of a further yeast company to the joint venture, which is conditional upon regulatory approvals and is expected to be completed in the first half of 2022. The business has been classified as an asset held for sale.

As a result of this proposed sale and as the proceeds are in excess of the carrying value of the assets after they were impaired in 2019, £10m of the impairment recorded against the property, plant and equipment has been reversed through profits less losses on sale and closure of businesses.

	2021 £m	2020 £m
Assets classified as held for sale		
Intangible assets	–	2
Property, plant and equipment	**10**	30
Inventories	**3**	5
Trade and other receivables	–	4
Cash and cash equivalents	–	2
	13	43
Liabilities classified as held for sale		
Trade and other payables	–	(5)
	–	(5)

16. Inventories

	2021 £m	2020 £m
Raw materials and consumables	**411**	429
Work in progress	**55**	53
Finished goods and goods held for resale	**1,685**	1,668
	2,151	2,150
Write-down of inventories	**(95)**	(96)

In addition to the amounts disclosed above, there are £3m (2020 – £5m) of inventories classified as assets held for sale (see note 15).

17. Biological assets

	Growing cane £m	Other £m	Total £m
At 14 September 2019	80	4	84
Transferred to inventory	(93)	(10)	(103)
Purchases	–	1	1
Changes in fair value	93	11	104
Effect of movements in foreign exchange	(14)	–	(14)
At 12 September 2020	66	6	72
Transferred to inventory	(92)	(13)	(105)
Purchases	–	1	1
Changes in fair value	105	12	117
At 18 September 2021	**79**	**6**	**85**

Growing cane

The fair value of growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for valuing the growing cane, and therefore falls into the Level 3 category of fair value measurement. The following assumptions were used in the determination of the estimated sucrose tonnage at 18 September 2021:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	**6,363**	**18,911**	**16,584**	**8,664**	**9,526**	**5,545**
Estimated yield (tonnes cane/hectare)	**66.9**	**108.4**	**115.7**	**102.0**	**73.9**	**83.6**
Average maturity of growing cane	**46.1%**	**67.4%**	**65.7%**	**67.7%**	**46.2%**	**71.6%**

The following assumptions were used in the determination of the estimated sucrose tonnage at 12 September 2020:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	6,834	19,019	17,167	8,549	9,076	5,724
Estimated yield (tonnes cane/hectare)	68.7	107.0	108.5	102.0	77.5	87.0
Average maturity of growing cane	46.5%	67.4%	65.7%	67.0%	46.2%	71.6%

A 1% change in the unobservable inputs could increase or decrease the fair value of growing cane as follows:

	2021		2020	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Estimated sucrose content	**1.1**	**(1.1)**	1.0	(1.0)
Estimated sucrose price	**1.4**	**(1.4)**	1.3	(1.3)

18. Cash and cash equivalents

	Note	**2021 £m**	2020 £m
Cash			
Cash at bank and in hand		**759**	718
Cash equivalents		**1,516**	1,280
Cash and cash equivalents	26	**2,275**	1,998
Reconciliation to the cash flow statement			
Bank overdrafts	19	**(86)**	(89)
Cash and cash equivalents in the cash flow statement		**2,189**	1,909
Cash and cash equivalents on the face of the balance sheet		**2,275**	1,996
Cash and cash equivalents classified as held for sale	15	**–**	2
		2,275	1,998

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate.

Cash equivalents generally comprise deposits placed on money markets for periods of up to three months which earn interest at a short-term deposit rate; and funds invested with fund managers that have a maturity of less than or equal to three months and are at fixed rates.

The carrying amount of cash and cash equivalents approximates fair value.

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19. Loans and overdrafts

	Note	2021 £m	2020 £m
Current loans and overdrafts			
Secured loans		–	4
Unsecured loans and overdrafts		330	150
		330	154
Non-current loans			
Secured loans		1	1
Unsecured loans		75	317
		76	318
	26	406	472

	Note	2021 £m	2020 £m
Secured loans			
– Other floating rate		1	5
Unsecured loans and overdrafts			
– Bank overdrafts	18	86	89
– GBP fixed rate		80	101
– USD floating rate		3	6
– USD fixed rate		217	235
– EUR floating rate		7	13
– Other floating rate		7	21
– Other fixed rate		5	2
		406	472

Secured loans comprise amounts borrowed from commercial banks and are secured by floating charges over the assets of subsidiaries. Bank overdrafts generally bear interest at floating rates.

20. Trade and other payables

	2021 £m	2020 £m
Trade payables	938	909
Accruals	997	943
	1,935	1,852
Deferred income and other non-financial payables	451	464
	2,386	2,316

In addition to the amounts disclosed above, there are no trade and other payables (2020 – £5m) classified as liabilities held for sale (see note 15).

For payables with a remaining life of less than one year, carrying amount is deemed to reflect fair value.

In a small number of businesses, the Group utilises supplier financing arrangements to enable participating suppliers, at each supplier's sole discretion, to sell any or all amounts due from the Group to a third party bank earlier than the invoice due date, at better financing rates than the supplier alone could achieve.

Payment terms for suppliers are identical, irrespective of whether they choose to participate. The Group receives no benefit from these arrangements.

Contractual terms and invoice due dates are unchanged and the Group considers amounts owed to the third party bank as akin to amounts owed to the supplier. Such amounts are therefore included within trade payables and associated cash flows are included within operating cash flows, as they continue to be part of the Group's normal operating cycle.

At year end, the value of invoices sold by suppliers under supply chain financing arrangements was £27m (2020 – £10m).

21. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 12 September 2020	86	20	58	164
Created	24	4	22	50
Utilised	(41)	(2)	(14)	(57)
Released	(15)	(7)	(26)	(48)
Effect of movements in foreign exchange	(2)	(1)	(4)	(7)
At 18 September 2021	**52**	**14**	**36**	**102**
Current	41	6	24	71
Non-current	11	8	12	31
	52	**14**	**36**	**102**

Financial liabilities within provisions comprised deferred consideration in both years (see note 26).

Restructuring

Restructuring provisions include business restructure costs, including redundancy, associated with the Group's announced reorganisation plans. These restructuring provisions are largely expected to be utilised in the next financial year.

Deferred consideration

Deferred consideration comprises estimates of amounts due to the previous owners of businesses acquired by the Group which are often linked to performance or other conditions.

Other

Other provisions mainly comprise litigation claims and warranty claims arising from the sale and closure of businesses. The extent and timing of the utilisation of these provisions is more uncertain given the nature of the claims and the period of the warranties.

22. Share capital and reserves

Share capital

At 12 September 2020 and 18 September 2021, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p, each carrying one vote per share. Total nominal value was £45m.

Other reserves

£173m of other reserves arose from the cancellation of share premium account by the Company in 1993. The remaining £2m arose in 2010 as a transfer to capital redemption reserve following redemption of two million £1 deferred shares at par. Both are non-distributable.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

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23. 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 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.

24. Share-based payments

The annual charge in the income statement for equity-settled share-based payments schemes was £17m (2020 – £8m). The Group had the following principal equity-settled share-based payment plans in operation during the period:

Associated British Foods 2016 Long-term Incentive Plan ('the 2016 LTIP')

The 2016 LTIP was approved and adopted by the Company at the AGM held on 9 December 2016. It takes the form of conditional allocations of shares which are released if, and to the extent that, performance targets are satisfied, typically over a three-year vesting period.

Associated British Foods 2016 Short-term Incentive Plan ('the 2016 STIP')

The 2016 STIP was approved and adopted by the Board on 2 November 2016. It takes the form of conditional allocations of shares which are released at the end of a three-year vesting period if, and to the extent that, performance targets are satisfied, over a one-year performance period.

Further information regarding the operation of the above plans can be found in the Remuneration Report on pages 117 to 135.

Total conditional allocations under the Group's equity-settled share-based payment plans are as follows:

	Balance outstanding at the beginning of the period	Granted/ awarded	Vested	Expired/ lapsed	Balance outstanding at the end of the period
2021	5,030,360	2,498,918	(440,870)	(1,669,171)	5,419,237
2020	4,660,667	1,970,377	(993,955)	(606,729)	5,030,360

Employee Share Ownership Plan Trust

Shares subject to allocation under the Group's equity-settled share-based payment plans are held in a separate Employee Share Ownership Plan Trust funded by the Company. Voting rights attached to shares held by the Trust are exercisable by the trustee, who is entitled to consider any recommendation made by a committee of the Company. At 18 September 2021 the Trust held 1,347,089 (2020 – 1,787,959) ordinary shares of the Company. The market value of these shares at the year end was £25m (2020 – £35m). The Trust has waived its right to dividends. Movements in the year were a release of 440,870 shares (2020 – release of 993,955 shares).

Fair values

The weighted average fair value of conditional grants made was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid during the vesting period. The weighted average fair value of the conditional shares allocated during the year was 1,879p (2020 – 2,327p) and the weighted average share price was 2,021p (2020 – 2,502p). The dividend yield used was 2.5% (2020 – 2.5%).

25. Analysis of net debt

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

	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 (see note 18 for a reconciliation).

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.

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments

Financial instruments include £nil (2020 – £3m) of trade and other receivables and £nil (2020 – £5m) of trade and other payables which are classified as held for sale (see note 15). All disclosures in this note are given gross, before the held-for-sale reclassification is made.

a) Carrying amount and fair values of financial assets and liabilities

	2021 £m	2020 £m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**2,275**	1,998
Current asset investments	**32**	32
Trade and other receivables	**1,215**	1,199
Other non-current receivables	**32**	39
At fair value through other comprehensive income		
Investments	**23**	6
At fair value through profit or loss		
Derivative assets not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**9**	10
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**22**	14
– cross-currency swaps	**44**	60
– commodity derivatives	**49**	18
Total financial assets	**3,701**	3,376
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**(1,935)**	(1,857)
Secured loans	**(1)**	(5)
Unsecured loans and overdrafts (fair value 2021 – £417m; 2020 – £498m)	**(405)**	(467)
Lease liabilities (fair value 2021 – £3,293m; 2020 – £3,807m)	**(3,281)**	(3,639)
Deferred consideration	**(14)**	(20)
At fair value through profit or loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
– currency derivatives (excluding cross-currency swaps)	**(1)**	(16)
– commodity derivatives	**–**	(1)
Designated net investment hedging relationships		
Derivative liabilities designated as net investment hedging instruments:		
– cross-currency swaps	**(12)**	(27)
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
– currency derivatives (excluding cross-currency swaps)	**(5)**	(22)
– commodity derivatives	**(16)**	(21)
Total financial liabilities	**(5,670)**	(6,075)
Net financial liabilities	**(1,969)**	(2,699)

Except where stated, carrying amount is equal to fair value.

Valuation of financial instruments carried at fair value

Financial instruments carried at fair value on the balance sheet comprise derivatives and investments. The Group classifies these financial instruments using a fair value hierarchy that reflects the relative significance of both objective evidence and subjective judgements on the inputs used in making the fair value measurements:

- Level 1: financial instruments are valued using observable inputs that reflect unadjusted quoted market prices in an active market for identical instruments. An example of an item in this category is a widely traded equity instrument with a normal quoted market price.
- Level 2: financial instruments are valued using techniques based on observable inputs, either directly (i.e. market prices and rates) or indirectly (i.e. derived from market prices and rates). An example of an item in this category is a currency derivative, where forward exchange rates and yield curve data, which are observable in the market, are used to derive fair value.
- Level 3: financial instruments are valued using techniques involving significant unobservable inputs.

b) Derivatives

All derivatives are classified as current on the face of the balance sheet. The table below analyses the carrying amount of derivatives and their contractual/notional amounts, together with an analysis of derivatives by the level in the fair value hierarchy into which their fair value measurement method is categorised.

	2021				2020			
	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m
Financial assets								
Currency derivatives (excluding cross-currency swaps)	1,360	–	31	31	814	–	24	24
Cross-currency swaps	228	–	44	44	254	–	60	60
Commodity derivatives	188	4	45	49	183	6	12	18
	1,776	4	120	124	1,251	6	96	102
Financial liabilities								
Currency derivatives (excluding cross-currency swaps)	702	–	(6)	(6)	1,113	–	(38)	(38)
Cross-currency swaps	196	–	(12)	(12)	217	–	(27)	(27)
Commodity derivatives	166	(1)	(15)	(16)	139	(4)	(18)	(22)
	1,064	(1)	(33)	(34)	1,469	(4)	(83)	(87)

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments *continued*

c) Cash flow hedging reserve

The following table identifies the movements in the cash flow hedging reserve during the year, and the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact profit or loss are materially the same.

	2021				2020			
	Currency derivatives (excluding cross-currency) £m	**Cross-currency swaps £m**	**Commodity derivatives £m**	**Total £m**	Currency derivatives (excluding cross-currency) £m	Cross-currency swaps £m	Commodity derivatives £m	Total £m
Opening balance	**6**	**(1)**	**2**	**7**	1	1	6	8
Losses/(gains) recognised in the hedging reserve	**3**	**16**	**(55)**	**(36)**	(4)	4	18	18
Ineffective hedges recognised in the income statement	**–**	**–**	**–**	**–**	21	–	–	21
Amount removed from the hedging reserve and included in the income statement:								
– revenue	**8**	**–**	**(4)**	**4**	(1)	–	1	–
– cost of sales	**–**	**–**	**9**	**9**	–	–	(18)	(18)
– other financial expense	**–**	**(16)**	**–**	**(16)**	–	(6)	–	(6)
Amount removed from the hedging reserve and included in a non-financial asset:								
– inventory	**(37)**	**–**	**12**	**(25)**	(12)	–	(6)	(18)
Deferred tax	**6**	**–**	**8**	**14**	(1)	–	1	–
Effect of movements in foreign exchange	**–**	**–**	**–**	**–**	2	–	–	2
Closing balance	**(14)**	**(1)**	**(28)**	**(43)**	6	(1)	2	7
Cash flows are expected to occur:								
– within six months	**(9)**	**–**	**(25)**	**(34)**	6	–	1	7
– between six months and one year	**(4)**	**–**	**(2)**	**(6)**	–	–	1	1
– between one and two years	**(1)**	**–**	**(1)**	**(2)**	–	–	–	–
– between two and five years	**–**	**(1)**	**–**	**(1)**	–	(1)	–	(1)
	(14)	**(1)**	**(28)**	**(43)**	6	(1)	2	7

Of the closing balance of £43m, £43m is attributable to equity shareholders and £nil to non-controlling interests (2020 – £7m, £7m attributable to equity shareholders and £nil to non-controlling interests). Of the net movement in the year of £(50)m, £(50)m is attributable to equity shareholders and £nil to non-controlling interests (2020 – £(1)m, £(2)m attributable to equity shareholders and £1m to non-controlling interests).

The balance remaining in the commodity cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied is £(1)m (2020 – £2m).

The balance in the cost of hedging reserve was not significant at 12 September 2020 or 18 September 2021.

d) Financial risk identification and management

The Group is exposed to the following financial risks from the use of financial instruments:

- market risk;
- credit risk; and
- liquidity risk.

The Group's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Risk management policies and systems have been established and are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group sources and sells products and manufactures goods in many locations around the world. These operations expose the Group to potentially significant price volatility in the financial and commodity markets. Trading and risk management teams have been established in the Group's major businesses to manage this exposure by entering into a range of products, including physical and financial forward contracts, futures, swaps, and, where appropriate, options. These teams work closely with Group Treasury and report regularly to executive management.

Treasury operations and commodity procurement and hedging are conducted within a clearly defined framework of Board-approved policies and guidelines to manage the Group's financial and commodity risks. Group Treasury works closely with the Group's procurement teams to manage commodity risks. Group Treasury policy seeks to ensure that adequate financial resources are available at all times for the management and development of the Group's businesses, whilst effectively managing its market risk and credit risk. The Group's risk management policy explicitly forbids the use of financial or commodity derivatives (outside its risk management framework of mitigating financial and commodity risks) for speculative purposes.

e) Foreign currency translation

The Group presents its financial statements in sterling. As a result of its worldwide operations, the Group is exposed to foreign currency translation risk where overseas operations have a functional currency other than sterling. Changes in foreign currency exchange rates impact the translation into sterling of both the income statement and net assets of these foreign operations.

Where appropriate, the Group finances its operations by borrowing locally in the functional currency of its operations. This reduces net asset values reported in functional currencies other than sterling, thereby reducing the economic exposure to fluctuations in foreign currency exchange rates on translation.

The Group also finances its operations by obtaining funding at group level through external borrowings and, where they are not in sterling, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations. At year end, the Group had no borrowings (2020 – none) that were designated as hedges of its net investment in foreign operations.

The Group also holds cross-currency interest rate swaps to hedge its fixed rate non-sterling debt. These are reported as cash flow hedges and net investment hedges. The change in fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging. The value of the currency basis is not significant. Effectiveness is measured using the hypothetical derivative approach. The hypothetical derivative is based on the critical terms of the debt and therefore the only ineffectiveness that might arise is in relation to credit risk. Credit risk is monitored regularly and is not a significant factor in the hedge relationship.

The Group does not actively hedge the translation impact of foreign exchange rate movements on the income statement (other than via the partial economic hedge arising from the servicing costs on non-sterling borrowings).

The Group designates certain of its intercompany loan arrangements as quasi-equity for the purposes of IAS 21. The effect of the designation is that any foreign exchange volatility arising within the borrowing entity and/or the lending entity is accounted for directly within other comprehensive income.

A net foreign exchange £nil (2020 – gain of £1m) on retranslation of these loans has been taken to the translation reserve on consolidation, all of which was attributable to equity shareholders. The Group also held cross-currency swaps that have been designated as hedges of its net investments in euros, whose change in fair value of £14m has been credited to the translation reserve, all of which was attributable to equity shareholders (2020 – £4m has been debited to the translation reserve).

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments *continued*

f) Market risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The Group is exposed to changes in the market price of commodities, interest rates and foreign exchange rates. These risks are known as 'transaction' (or recognised) exposures and 'economic' (or forecast) exposures.

(i) Commodity price risk

Commodity price risk arises from the procurement of raw materials and the consequent exposure to changes in market prices.

The Group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities including wheat, edible oils, lean hog, soya beans, sugar raws, cocoa, rice, tea and energy is managed through the use of forward physical contracts and hedging instruments, including futures, swaps and options primarily to convert floating prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the Group's risk management policies and is continually monitored by Group Treasury. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the Group's overall pricing strategy.

Some of the Group's commodity forward contracts are classified as 'own use' contracts, since they are entered into, and continue to be held, for the purposes of the Group's ordinary operations. In this instance the Group takes physical delivery of the commodity concerned. Own use contracts do not require accounting entries until the commodity purchase actually crystallises. Where possible, other commodity derivatives are accounted for as cash flow hedges (typically with a one-to-one hedge ratio), but there are some commodity derivatives for which the strict requirements of hedge accounting cannot be satisfied. Such commodity derivatives are used only where the business believes they provide an economic hedge of an underlying exposure. These instruments are classified as held for trading and are marked to market through the income statement.

The majority of the Group's forward physical contracts and commodity derivatives have maturities of less than one year.

The Group's sensitivities in respect of commodity derivatives for a +/- 20% movement in underlying commodity prices are £24m (2020 – £15m) and (£24m) (2020 – (£14m)), respectively.

(ii) Interest rate risk

Interest rate risk comprises two primary elements:

- interest price risk results from financial instruments bearing fixed interest rates. Changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments; and
- interest cash flow risk results from financial instruments bearing floating rates. Changes in floating interest rates affect cash flows on interest receivable or payable.

The Group's policy is to maintain floating rate debt for a significant proportion of its bank finance, although it periodically assesses its position with respect to interest price and cash flow risk.

At 18 September 2021, £303m (75%) (2020 – £338m and 72%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £297m (2020 – £336m).

Floating rate debt comprises bank borrowings bearing interest rates fixed in advance, for various time periods up to 12 months, by reference to official market rates (e.g. LIBOR).

The Group does not have significant sensitivities to the impact of interest rates on derivative valuations, nor to the impact of interest rates on floating rate borrowings.

(iii) Foreign currency risk

The Group conducts business worldwide and consequently in many foreign currencies. As a result, it is exposed to movements in foreign currency exchange rates which affect the Group's transaction costs. The Group also publishes its financial statements in sterling and is therefore exposed to movements in foreign exchange rates on the translation of the results and underlying net assets of its foreign operations into sterling.

Translation risk is discussed in section e) on page 189.

Transaction risk

Currency transaction exposure occurs where a business makes sales and purchases in a currency other than its functional currency. It also arises where monetary assets and liabilities of a business are not denominated in its functional currency, and where dividends or surplus funds are remitted from overseas. The Group's policy is to match transaction exposures wherever possible, and to hedge actual exposures and firm commitments as soon as they occur by using forward foreign currency contracts. All foreign currency instruments contracted with non-Group entities to manage transaction exposures are undertaken by Group Treasury or, where foreign currency controls restrict Group Treasury acting on behalf of subsidiaries, under its guidance. Identification of transaction exposures is the responsibility of each business.

The Group uses derivatives (principally forward foreign currency contracts and time options) to hedge its exposure to movements in exchange rates on its foreign currency trade receivables and payables. The Group does not seek formal fair value hedge accounting for such transaction hedges. Instead, such derivatives are classified as held for trading and marked to market through the income statement. This offsets the income statement impact of the retranslation of the foreign currency trade receivables and payables.

Economic (forecast) risk

The Group principally uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases on a rolling 12-month basis. The Group does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the Group's risk management policies and prevailing market conditions. The Group designates currency derivatives used to hedge its highly probable forecast transactions as cash flow hedges. Under IFRS 9, the spot component is designated in the hedging relationship and forward points and currency basis are excluded and recognised in other comprehensive income – cost of hedging. The cost of hedging value during the period and at the balance sheet date was not material. The economic relationship is based on critical terms and a one-to-one hedge ratio. To the extent that cash flow hedges are effective, gains and losses are deferred in equity until the forecast transaction occurs, at which point the gains and losses are recycled either to the income statement or to the non-financial asset acquired.

The majority of the Group's currency derivatives have original maturities of less than one year.

The Group's most significant currency transaction exposures are:

– sugar sales in British Sugar to movements in the sterling/euro exchange rate; and

– sourcing for Primark – costs are denominated in a number of currencies, predominantly sterling, euros and US dollars.

Elsewhere, a number of businesses make sales and purchase a variety of raw materials in foreign currencies (primarily US dollars and euros), giving rise to transaction exposures. In all other material respects, businesses tend to operate in their functional currencies.

The table below illustrates the effects of hedge accounting on the consolidated balance sheet and consolidated income statement by disclosing separately by risk category, and each type of hedge, the details of the associated hedging instrument and hedged item.

	2021					
	Contract notional £m	**Carrying amount assets/ (liabilities) £m**	**Furthest maturity date £m**	**Hedge ratio %**	**Change in fair value of hedging instrument used to determine hedge ineffectiveness £m**	**Change in fair value of hedge item used to determine hedge effectiveness £m**
Current						
Designated cash flow hedging relationships:						
– currency derivatives (excluding cross-currency swaps)	**1,367**	**16**	**Sep 22**	**100%**	**16**	**(16)**
– cross-currency swaps	**150**	**28**	**Mar 22**	**100%**	**(11)**	**11**
– commodity derivatives	**350**	**33**	**Aug 22**	**100%**	**34**	**(34)**
Designated net investment hedging relationships:						
– currency derivatives (cross-currency swaps)	**129**	**(8)**	**Mar 22**	**100%**	**10**	**(10)**
Non-current						
Designated cash flow hedging relationships:						
– currency derivatives (excluding cross-currency swaps)	**34**	**1**	**Dec 22**	**100%**	**1**	**(1)**
– cross-currency swaps	**78**	**16**	**Mar 24**	**100%**	**(6)**	**6**
– commodity derivatives	**4**	**–**	**Jan 23**	**100%**	**–**	**–**
Designated net investment hedging relationships:						
– currency derivatives (cross-currency swaps)	**67**	**(4)**	**Mar 24**	**100%**	**5**	**(5)**

	2020					
	Contract notional £m	Carrying amount assets/ (liabilities) £m	Furthest maturity date £m	Hedge ratio %	Change in fair value of hedging instrument used to determine hedge ineffectiveness £m	Change in fair value of hedge item used to determine hedge effectiveness £m
Current						
Designated cash flow hedging relationships:						
– currency derivatives (excluding cross-currency swaps)	1,205	(8)	Sep 21	100%	(10)	10
– commodity derivatives	317	1	Sep 21	100%	1	(1)
Non-current						
Designated cash flow hedging relationships:						
– currency derivatives (excluding cross-currency swaps)	25	–	Feb 22	100%	–	–
– cross-currency swaps	254	60	Mar 24	100%	(3)	3
– commodity derivatives	1	–	Jan 22	100%	–	–
Designated net investment hedging relationships:						
– currency derivatives (cross-currency swaps)	217	(27)	Mar 24	100%	(5)	5

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments *continued*

Hedging relationships are typically based on a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Sources of possible ineffectiveness include changes in forecast transactions as a result of timing or value or, in certain cases, different indices linked to the hedged item and the hedging instrument. As at 18 September 2021, £1,401m of forward foreign currency contracts designated as cash flow hedges were outstanding (2020 – £1,230m), largely in relation to purchases of USD (£864m) and sales of EUR (£199m) with varying maturities up to December 2022. Weighted average hedge rates for these contracts are GBPUSD: 1.39, EURUSD: 1.19 and GBPEUR: 1.12. Weighted average hedge rates for the cross-currency swaps are GBPUSD: 1.70 and GBPEUR: 1.26. Commodity derivatives designated as cash flow hedges related to a range of underlying hedged items, with varying maturities up to January 2023.

The analysis of the Group's foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

	2021				
	Sterling £m	**US dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**1**	**81**	**22**	**40**	**144**
Trade and other receivables	–	**39**	**45**	**19**	**103**
	1	**120**	**67**	**59**	**247**
Financial liabilities					
Trade and other payables	**(19)**	**(381)**	**(36)**	**(8)**	**(444)**
Unsecured loans and overdrafts	–	**(218)**	–	**(3)**	**(221)**
	(19)	**(599)**	**(36)**	**(11)**	**(665)**
Currency derivatives					
Gross amounts receivable	**62**	**1,374**	**197**	**221**	**1,854**
Gross amounts payable	**(2)**	**(133)**	**(431)**	**(50)**	**(616)**
	60	**1,241**	**(234)**	**171**	**1,238**
	42	**762**	**(203)**	**219**	**820**

	2020				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	1	103	11	74	189
Trade and other receivables	–	39	50	15	104
	1	142	61	89	293
Financial liabilities					
Trade and other payables	(21)	(351)	(34)	(8)	(414)
Unsecured loans and overdrafts	–	(235)	–	–	(235)
	(21)	(586)	(34)	(8)	(649)
Currency derivatives					
Gross amounts receivable	69	1,353	58	232	1,712
Gross amounts payable	(6)	(211)	(504)	(103)	(824)
	63	1,142	(446)	129	888
	43	698	(419)	210	532

The following major exchange rates applied during the year:

	Average rate		Closing rate	
	2021	2020	**2021**	2020
US dollar	**1.37**	1.27	**1.38**	1.28
Euro	**1.14**	1.14	**1.17**	1.08
Rand	**20.34**	20.53	**20.27**	21.40
Renminbi	**8.90**	8.94	**8.89**	8.74
Australian dollar	**1.82**	1.88	**1.89**	1.76

The following sensitivity analysis illustrates the impact that a 10% strengthening of the Group's transactional currencies against local functional currencies would have had on profit and equity. The analysis covers currency translation exposures at year end on businesses' financial assets and liabilities that are not denominated in the functional currencies of those businesses. A similar but opposite impact would be felt on both profit and equity if the Group's main operating currencies weakened against local functional currencies by a similar amount.

The exposure to foreign exchange gains and losses on translating the financial statements of subsidiaries into sterling is not included in this sensitivity analysis, as there is no impact on the income statement, and the gains and losses are recorded directly in the translation reserve in equity (see below for a separate sensitivity). This sensitivity is presented before taxation and non-controlling interests.

Sensitivity analysis

10% strengthening against other currencies of	2021 impact on profit for the period £m	2021 impact on total equity £m	2020 impact on profit for the period £m	2020 impact on total equity £m
Sterling	–	5	(1)	3
US dollar	(2)	87	(4)	79
Euro	12	(24)	–	(44)
Other	12	24	10	20

A second sensitivity analysis calculates the impact on the Group's profit before tax if the average rates used to translate the results of the Group's foreign operations into sterling were adjusted to show a 10% strengthening of sterling. A similar but opposite impact would be felt on profit before tax if sterling weakened against the other currencies by a similar amount.

10% strengthening of sterling against	2021 impact on profit for the period £m	2020 impact on profit for the period £m
US dollar	(19)	(14)
Euro	3	(1)
Rand	–	1
Renminbi	–	(2)
Australian dollar	(4)	(4)

g) Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The Group's businesses are exposed to counterparty credit risk when dealing with customers, and from certain financing activities.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 18 September 2021. The Group considers its maximum exposure to credit risk to be:

	2021 £m	2020 £m
Cash and cash equivalents	2,275	1,998
Current asset investments	32	32
Trade and other receivables	1,215	1,199
Other non-current receivables	32	39
Investments	23	6
Derivative assets at fair value through profit and loss	9	10
Derivative assets in designated cash flow hedging relationships	103	65
	3,689	3,349

The significant majority of cash balances and short-term deposits are held with strong investment-grade banks or financial institutions.

The Group uses market knowledge, changes in credit ratings and other metrics to identify significant changes to the financial profile of its counterparties.

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments *continued*

Counterparty risk profile and management

The table below analyses the Group's current asset investments, cash equivalents and derivative assets by credit exposure:

			Derivatives			
Standard & Poors rating	Current asset investments £m	Cash equivalents £m	Currency derivative assets £m	Cross-currency swaps £m	Commodity £m	Total £m
A+	–	–	2	16	–	18
AA-	29	–	–	–	2	31
A	–	–	3	–	1	4
A-	–	11	16	11	–	38
BBB+	–	–	3	5	–	8
BBB	–	1	–	–	–	1
Not rated	–	–	–	–	37	37
As at 18 September 2021	**29**	**12**	**24**	**32**	**40**	**137**

			Derivatives			
Standard & Poors rating	Current asset investments £m	Cash equivalents £m	Currency derivative assets £m	Cross-currency swaps £m	Commodity £m	Total £m
A+	–	–	–	16	–	16
AA-	30	–	3	–	–	33
A	–	–	–	17	–	17
BBB+	–	–	1	–	1	2
BBB	–	3	–	–	–	3
BB-	–	–	1	–	–	1
As at 12 September 2020	30	3	5	33	1	72

Cash of £759m (2020 – £718m), cash equivalents of £1,504m (2020 – £1,277m) and current asset investments of £3m (2020 – £2m) have been excluded from this analysis as they are available on demand.

Trade and other receivables

Significant concentrations of credit risk are very limited as a result of the Group's large and diverse customer base. The Group has an established credit policy applied by each business under which the credit status of each new customer is reviewed before credit is advanced. This includes external credit evaluations where possible and in some cases bank references. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of management. Outstanding debts are continually monitored by each business. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the Group's benchmark creditworthiness may only transact on a prepayment basis. Aggregate exposures are monitored at Group level.

Many customers have been transacting with the Group for many years and the incidence of bad debts has been low. Where appropriate, goods are sold subject to retention of title so that, in the event of non-payment, the Group may have a secured claim. The Group does not typically require collateral in respect of trade and other receivables.

The Group provides for impairment of financial assets including trade and other receivables based on known events, and makes a collective provision for losses yet to be identified, based on historical data. The majority of the provision comprises specific amounts.

To measure expected credit losses, gross trade receivables are assessed regularly by each business locally with reference to considerations such as the current status of the relationship with the customer, the geographical location of each customer, and days past due (where applicable).

Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. These historical loss expectations are adjusted for current and forward-looking information where it is identified to be significant. The Group considers factors such as national economic outlooks and bankruptcy rates of the countries in which its goods are sold to be the most relevant factors. Where the impact of these is assessed as significant, the historical loss expectations are amended accordingly.

The Group considers credit risk to have significantly increased for debts aged 180 days or over and expects these debts to be provided for in full. Where the Group holds insurance or has a legal right of offset with debtors who are also creditors, the loss expectation is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery, indicators of which may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

	2021 £m	2020 £m
UK	**442**	408
Europe & Africa	**306**	319
The Americas	**164**	160
Asia Pacific	**303**	313
	1,215	1,200

Trade receivables can be analysed as follows:

	2021 £m	2020 £m
Not overdue	**899**	934
Up to one month past due	**100**	66
Between one and two months past due	**16**	12
Between two and three months past due	**6**	8
More than three months past due	**24**	31
Expected loss provision	**(24)**	(27)
	1,021	1,024

Trade receivables are stated net of the following expected loss provision:

	2021 £m	2020 £m
Opening balance	**27**	24
Increase charged to the income statement	**4**	9
Amounts released	**(2)**	(1)
Amounts written off	**(3)**	(4)
Effect of movements in foreign exchange	**(2)**	(1)
Closing balance	**24**	27

No trade receivables were written off directly to the income statement in either year.

The geographical and business line complexity of the Group, combined with the fact that expected credit loss assessments are all performed locally, means that it is not practicable to present further analysis of expected losses.

In relation to other receivables not forming part of trade receivables, a similar approach has been taken to assess expected credit losses. No significant expected credit loss has been identified.

The directors consider that the carrying amount of trade and other receivables approximates fair value.

Cash and cash equivalents
Banking relationships are generally limited to those banks that are members of the core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. In locations where the core relationship banking group cannot be used, operating procedures including choice of bank, opening of bank accounts and repatriation of funds must be agreed with Group Treasury. The Group has not recorded impairments against cash or cash equivalents, nor have any recoverability issues been identified with such balances. Such items are typically recoverable on demand or in line with normal banking arrangements.

h) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. Group Treasury is responsible for monitoring and managing liquidity and ensures that the Group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The Group also has access to uncommitted facilities to assist with short-term funding requirements.

Available headroom is monitored via the use of detailed cash flow forecasts prepared by each business, which are reviewed at least quarterly, or more often, as required. Actual results are compared to budget and forecast each period, and variances investigated and explained. Particular focus is given to management of working capital.

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 development of the business.

Details of the Group's borrowing facilities are given in section i) on page 197.

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

26. Financial instruments *continued*

The following table analyses the contractual undiscounted cash flows relating to financial liabilities at the balance sheet date and compares them to carrying amounts:

	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
		2021						
Non-derivative financial liabilities								
Trade and other payables	20	**(1,915)**	**(20)**	–	–	–	**(1,935)**	**(1,935)**
Secured loans	19	–	–	**(1)**	–	–	**(1)**	**(1)**
Unsecured loans and overdrafts	19	**(320)**	**(9)**	**(13)**	**(75)**	–	**(417)**	**(405)**
Lease liabilities	10	**(173)**	**(189)**	**(381)**	**(1,048)**	**(2,515)**	**(4,306)**	**(3,281)**
Deferred consideration	21	**(6)**	–	**(8)**	–	–	**(14)**	**(14)**
Derivative financial liabilities								
– Currency derivatives (excluding cross-currency swaps) (net payments)		**(5)**	**(2)**	–	–	–	**(7)**	**(6)**
– Commodity derivatives (net payments)		**(12)**	**(4)**	–	–	–	**(16)**	**(16)**
Total financial liabilities		**(2,431)**	**(224)**	**(403)**	**(1,123)**	**(2,515)**	**(6,696)**	**(5,658)**

	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
		2020						
Non-derivative financial liabilities								
Trade and other payables	20	(1,837)	(20)	–	–	–	(1,857)	(1,857)
Secured loans	19	(4)	–	–	(1)	–	(5)	(5)
Unsecured loans and overdrafts	19	(110)	(58)	(245)	(85)	–	(498)	(467)
Lease liabilities	10	(186)	(189)	(385)	(1,099)	(2,883)	(4,472)	(3,639)
Deferred consideration	21	(2)	(1)	(3)	(15)	–	(21)	(20)
Derivative financial liabilities								
– Currency derivatives (excluding cross-currency swaps) (net payments)		(33)	(4)	–	–	–	(37)	(38)
– Commodity derivatives (net payments)		(20)	(2)	–	–	–	(22)	(22)
Total financial liabilities		(2,192)	(274)	(633)	(1,200)	(2,883)	(7,182)	(6,048)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 18 September 2021.

The principal reasons for differences between carrying values and contractual undiscounted cash flows are coupon payments on the fixed rate debt to which the Group is already committed, future interest payments on the Group's lease liabilities, and cash flows on derivative financial instruments which are not aligned with their fair value.

i) Borrowing facilities

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 18 September 2021, in respect of which all conditions precedent have been met, amounted to £1,145m (2020 – £1,146m):

	2021			2020		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Syndicated facility	**1,088**	**–**	**1,088**	1,088	–	1,088
US private placement	**297**	**297**	**–**	336	336	–
Illovo	**65**	**10**	**55**	86	32	54
Other	**3**	**1**	**2**	7	3	4
	1,453	**308**	**1,145**	1,517	371	1,146

Uncommitted facilities available at 18 September 2021 were:

	2021			2020		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Moneymarket lines	**100**	**–**	**100**	100	–	100
Illovo	**157**	**63**	**94**	160	63	97
Azucarera	**30**	**5**	**25**	49	11	38
China	**37**	**–**	**37**	40	–	40
Other	**161**	**30**	**131**	167	27	140
	485	**98**	**387**	516	101	415

In addition to the above facilities there are also £114m (2020 – £98m) of undrawn and available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

The Group has a £1.1bn syndicated facility which matures in July 2023. The Group also has £297m of private placement notes in issue to institutional investors in the US and Europe. At 18 September 2021, these had an average remaining duration of 0.9 years and an average fixed coupon of 4.1%. The other significant core committed debt facilities are local committed facilities in Illovo.

Uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time.

Refer to note 9 for details of the Group's capital commitments and to note 27 for a summary of the Group's guarantees. An assessment of the Group's current liquidity position is given in the Financial review on pages 62 to 64.

j) Capital management

The capital structure of the Group is presented in the consolidated balance sheet. For the purpose of the Group's capital management, capital includes issued capital and all other reserves attributable to equity shareholders, totalling £9,921m (2020 – £9,355m). The consolidated statement of changes in equity provides details on equity and note 19 provides details of loans and overdrafts. Short- and medium-term funding requirements are provided by a variety of loan and overdraft facilities, both committed and uncommitted, with a range of counterparties and maturities. Longer-term funding is sourced from a combination of these facilities, the private placement notes and committed syndicated loan facilities.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to enable successful future development of the business. The Board monitors return on capital by division and determines the overall level of dividends payable to shareholders.

From time to time the trustee of the Employee Share Ownership Plan Trust purchases the Company's shares in the market to satisfy awards under the Group's incentive plans. Once purchased, shares are not sold back into the market. The Group does not have a defined share buy-back plan.

There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries is subject to externally-imposed capital requirements.

27. Contingencies

Litigation and other proceedings against the Group are not considered material in the context of these financial statements.

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness of other Group companies, the Group considers these to be insurance arrangements and has elected to account for them as such in accordance with IFRS 4. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the relevant Group company issuing the guarantee will be required to make a payment under the guarantee.

As at 18 September 2021, Group companies have provided guarantees in the ordinary course of business amounting to £1,513m (2020 – £2,046m).

During the year, a Thai court ruled in favour of the Group's Ovaltine business in Thailand in a legal action it brought against one of its suppliers in respect of a contractual dispute. The court concluded that between 2009 and 2019 the supplier had overcharged Ovaltine Thailand and should pay compensation of 2.2 billion Thai baht (£48m). The relevant contractual relationship between the Group and its supplier terminated at the end of 2019. The Group has not yet recorded an asset in respect of this matter as the defendant is appealing the judgment.

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28. Related parties

The Group has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 29. The Group has a related party relationship with its associates and joint ventures (see note 29) and with its directors. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's length basis.

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

	Sub note	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 plc 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	2	**14**	73
Sales to fellow subsidiary undertakings on normal trading terms	3	**55**	96
Sales to companies with common key management personnel on normal trading terms	4	**14,980**	18,404
Commissions paid to companies with common key management personnel on normal trading terms	4	**–**	557
Amounts due from companies with common key management personnel	4	**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 Details of the directors are given on pages 98 and 99. Their interests, including family interests, in the Company and its subsidiary undertakings are given on pages 129 and 130. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration Report on pages 117 to 135.

3 The fellow subsidiary undertakings are Fortnum and Mason plc and Heal & Son Limited.

4 The companies with common key management personnel are the George Weston Limited group, in Canada, and Selfridges & Co. Limited.

Amounts due from joint ventures include £32m (2020 – £40m) of finance lease receivables (see note 14). The remainder of the balance is trading balances. All but £4m (2020 – £5m) of the finance lease receivables are non-current.

29. Group entities

Control of the Group

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited ('Wittington'), the accounts of which are available at Companies House, Crown Way, Cardiff CF14 3UZ. It is the ultimate holding company, is incorporated in Great Britain and is registered in England.

At 18 September 2021 Wittington, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2020 – 431,515,108) representing in aggregate 54.5% (2020 – 54.5%) of the total issued ordinary share capital of Associated British Foods plc.

Wittington, and through their control of Wittington, the trustees of the Garfield Weston Foundation ('the Foundation'), are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 18 September 2021, have a combined interest in approximately 58.3% (2020 – 58.5%) of the Company's voting rights. Information on the relationship agreement between the Company and its controlling shareholders is set out on page 137 of the Directors' Report.

Subsidiary undertakings

A list of the Group's subsidiaries as at 18 September 2021 is given below. The entire share capital of subsidiaries is held within the Group except where ownership percentages are shown. These percentages give the Group's ultimate interest and therefore allow for situations where subsidiaries are owned by partly owned intermediate subsidiaries. Where subsidiaries have different classes of shares, this is largely for historical reasons and the effective percentage holdings given represent both the Group's voting rights and equity holding. Shares in ABF Investments plc are held directly by Associated British Foods plc. All other holdings in subsidiaries are owned by members of the Associated British Foods plc group. All subsidiaries are consolidated in the Group's financial statements.

Subsidiary undertakings	% effective holding if not 100%
United Kingdom	
Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom	
A.B. Exploration Limited	
A.B.F. Holdings Limited	
A.B.F. Nominees Limited	
A.B.F. Properties Limited	
AB Agri Limited	
AB Foods Australia Limited	
AB Ingredients Limited	
AB Mauri (UK) Limited	
AB Mauri China Limited	
AB Mauri Europe Limited	
AB Sugar China Holdings Limited	
AB Sugar China Limited	
AB Sugar China North Limited	
AB Sugar Limited	
AB Technology Limited	
AB World Foods (Holdings) Limited	
AB World Foods Limited	
ABF (No. 1) Limited	
ABF (No. 2) Limited	
ABF (No. 3) Limited	
ABF BRL Finance Ltd	
ABF Energy Limited	
ABF Europe Finance Limited	
ABF European Holdings Limited	
ABF Finance Limited	
ABF Food Tech Investments Limited	
ABF Funding	
ABF Grain Products Limited	
ABF Green Park Limited	
ABF Grocery Limited	

Subsidiary undertakings	% effective holding if not 100%
ABF HK Finance Limited	
ABF Ingredients Limited	
ABF Investments plc	
ABF Japan Limited	
ABF MXN Finance Limited	
ABF Overseas Limited	
ABF PM Limited	
ABF UK Finance Limited	
ABF US Holdings Limited	
ABF ZMW Finance Limited	
ABN (Overseas) Limited	
ABNA Feed Company Limited	
ABNA Limited	
Agrilines Limited	
Allied Bakeries Limited	
Allied Grain (Scotland) Limited	
Allied Grain (South) Limited	
Allied Grain (Southern) Limited	
Allied Grain Limited	
Allied Mills (No.1) Limited (previously Allied Mills Limited)	
Allied Mills Limited (previously Allied Mills (No.1) Limited)	
Allied Technical Centre Limited	
Allinson Limited	
Associated British Foods Pension Trustees Limited	
Atrium 100 Properties Limited	
Atrium 100 Stores Holdings Limited	
Atrium 100 Stores Limited	
B.E. International Foods Limited	
Banbury Agriculture Limited	
British Sugar (Overseas) Limited	
British Sugar plc	
BSO (China) Limited	
Cereal Industries Limited	
Cereform Limited	
Davjon Food Limited	
Dorset Cereals Limited	

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29. Group entities *continued*

Subsidiary undertakings	% effective holding if not 100%
Eastbow Securities Limited	
Elsenham Quality Foods Limited	
Fishers Feeds Limited	
Fishers Seeds & Grain Limited	
Food Investments Limited	
G. Costa (Holdings) Limited	
G. Costa and Company Limited	
Germain's (U.K.) Limited	
H 5 Limited	
Illovo Sugar Africa Holdings Limited	
John K. King & Sons Limited	
LeafTC Limited	
Kingsgate Food Ingredients Limited	
Mauri Products Limited	
Mountsfield Park Finance Limited	
Nere Properties Limited	
Nutrition Trading (International) Limited	
Nutrition Trading Limited	
Patak (Spices) Limited	
Patak Food Limited	
Patak's Breads Limited	
Patak's Foods 2008 Limited	
Premier Nutrition Products Limited	
Pride Oils Public Limited Company	
Primark (U.K.) Limited	
Primark Austria Limited	
Primark Mode Limited	
Primark Pension Administration Services Limited	
Primark Stores Limited	
Primary Diets Limited	
Primary Nutrition Limited	
Pro-Active Nutrition Limited	
R. Twining and Company Limited	
Reflex Nutrition Limited	
Roses Nutrition Ltd	
Seedcote Systems Limited	
Serpentine Securities Limited	
Sizzlers Limited	
Sizzles Limited	
Spectrum Aviation Limited	
Speedibake Limited	
Sunblest Bakeries Limited	
The Bakery School Limited	
The Billington Food Group Limited	
The Home Grown Sugar Company Limited	
The Jordans & Ryvita Company Limited	
The Natural Sweetness Company Limited	
The Roadmap Company Limited	
The Silver Spoon Company Limited	
Tip Top Bakeries Limited	
Trident Feeds Limited	
Twining Crosfield & Co. Limited	
Vivergo Fuels Limited	
W. Jordan & Son (Silo) Limited	
W. Jordan (Cereals) Limited	
Wereham Gravel Company Limited (The)	
Westmill Foods Limited	
Weston Biscuit Company Limited (The)	
Weston Foods Limited	
Weston Research Laboratories Limited	

Subsidiary undertakings	% effective holding if not 100%
Worldwing Investments Limited	
1 College Place North, Belfast, BT1 6BG, United Kingdom	
James Neill, Limited	
Unit 4, 211 Castle Road, Randalstown, Co. Antrim, BT41 2EB, United Kingdom	
Jordan Bros. (N.I.) Limited	
Nutrition Services (International) Limited	
Vistavet Limited	
180 Glentanar Road, Glasgow, G22 7UP, United Kingdom	
ABN (Scotland) Limited	
Miller Samuel LLP, RWF House, 5 Renfield Street, Glasgow, G2 5EZ, United Kingdom	
Korway Foods Limited	
Korway Holdings Limited	
Patak's Chilled Foods Limited	
Patak's Frozen Foods Limited	
Argentina	
Mariscal Antonio José de Sucre 632 – 2nd Floor, Buenos Aires 1428, Argentina	
AB Mauri Hispanoamerica S.A.	
Surgras S.A (in liquidation)	
Av. Raul Alfonsin, Monte Chingolo, Buenos Aires 3145, Argentina	
Compañía Argentina De Levaduras S.A.I.C.	
Australia	
Building A, Level 2, 11 Talavera Road, North Ryde, NSW 2113, Australia	
AB Mauri Overseas Holdings Limited	
AB Mauri Pakistan Pty Limited	
AB Mauri ROW Holdings Pty Limited	
AB Mauri South America Pty Limited	
AB Mauri South West Asia Pty Limited	
AB Mauri Technology & Development Pty Limited	
AB Mauri Technology Pty Limited	
AB World Foods Pty Ltd	
Anzchem Pty Limited	
Dagan Trading Pty. Ltd	
Food Investments Pty. Limited	
George Weston Foods (Victoria) Pty Ltd	
George Weston Foods Limited	
Indonesian Yeast Company Pty Limited	
Mauri Fermentation Brazil Pty Limited	
Mauri Fermentation Chile Pty Limited	
Mauri Fermentation China Pty Limited	
Mauri Fermentation India Pty Limited	
Mauri Fermentation Indonesia Pty Limited	
Mauri Fermentation Malaysia Pty Limited	
Mauri Fermentation Philippines Pty Limited	
Mauri Fermentation Vietnam Pty Limited	
Mauri Yeast Australia Pty Limited	
N&C Enterprises Pty Ltd	
NB Love Industries Pty Ltd	
Serrol Ingredients Pty Limited	
The Jordans and Ryvita Company Australia Pty Ltd	
Yumi's Quality Foods Pty Ltd	
35-37 South Corporate Avenue, Rowville, VIC 3178, Australia	
AB Food & Beverages Australia Pty. Limited	
170 South Gippsland Highway, Dandenong, VIC 3175, Australia	
ABF Wynyard Park Limited Partnership	

Subsidiary undertakings	% effective holding if not 100%
Austria	
Wollzeile 11/2. OG, 1010 Vienna, Austria	
Primark Austria Ltd & Co KG	
Bangladesh	
Level 13 Shanta Western Tower, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A, Dhaka 1208, Bangladesh	
Twinings Ovaltine Bangladesh Limited	
Belgium	
Industriepark 2d, 9820 Merelbeke, Belgium	
AB Mauri Belgium NV	
Chaussée de la Hulpe 177/20, 1170 Bruxelles, Belgium	
Primark SA	
Brazil	
Avenida Tietê, L-233 Barranca do Rio Tietê, City of Pederneiras, State of Sao Paulo, CEP 17.280-000, Brazil	
AB Brasil Indústria e Comércio de Alimentos Ltda	
Alameda Madeira 328, 20th Floor, Room 2005, Alphaville – Barueri, Sao Paulo 06454-010, Brazil	
AB Enzimas Brasil Comercial Ltda	
Rua Cardeal Arcoverde. 1641 9th Floor, Sao Paulo, 05407002, Brazil	
AB Vista Brasil Comércio De Alimentação Animal Ltda	
Canada	
Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9, Canada	
AB Mauri (Canada) Limited	
Chile	
Miraflores Street No. 222, 28 Floor, Santiago, Chile	
Calsa Chile Inversiones Limitada	
China	
No. 1 Tongcheng Street, A Cheng District, Harbin, Heilongjiang Province, China	
AB (Harbin) Food Ingredients Company Limited	
Harbin Mauri Yeast Co., Ltd. (in liquidation)	
No. 9 Third Row, Baxian Community-new village, Chengjiang Town, Du'an County, Hechi City, Guangzi, China	
AB Agri Animal Nutrition (Guangzi) Co., Ltd (in liquidation)	
North Huang He Road, Rudong New Economic Development Zone, Nantong City, Jiangsu Province, China	
AB Agri Animal Nutrition (Nantong) Co., Ltd	
AB Agri Animal Nutrition (Rudong) Co., Ltd.	
No 28. South Shunjin Road, Yintai District, Tongchuan, Shaanxi Province, China	
AB Agri Animal Nutrition (Shaanxi) Co., Ltd.	
Chuangxin Road, Tonggu Industry Zone, Sandu Town, Tonggu County, Jiangxi Province, China	
AB Agri Pumeixin Tech (Jiangxi) Co. Ltd.	
Room 2802, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	
AB Enzymes Trading (Shanghai) Co., Ltd	
Room 2803, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	
ABNA Management (Shanghai) Co., Ltd.	
ABNA Trading (Shanghai) Co., Ltd	
Room 2906 Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China	

Subsidiary undertakings	% effective holding if not 100%
Associated British Foods Holdings (China) Co., Ltd	
Unit 006, Room 401, Floor 4, Building 1, No. 15 Guanghua Road, Chaoyang District, Beijing, China	
AB Mauri (Beijing) Food Sales and Marketing Company Limited	
Building 1, 35 Chi Feng Road , Yangpu District, Shanghai 200092, China	
AB Mauri Foods (Shanghai) Company Limited	90%
868 Yongpu Road, Pujiang Town, Minhang District, Shanghai 201112, China	
ABNA (Shanghai) Feed Co., Ltd.	
14 Juhai Road, Jinghai Development Zone, Tianjin, China	
ABNA (Tianjin) Feed Co, Ltd	
Shu Shan Modern Industrial Zone of Shou County, Huainan City, Anhui Province, China	
ABNA Feed (Anhui) Co., Ltd.	
145 Xincheng Road, Tengao Economic Development Zone, Anshan, Liaoning 114225, China	
ABNA Feed (Liaoning) Co., Ltd.	
17 Xiangyang Street, Tu Township, Chayou Qianqi, Inner Mongolia, China	
Botian Sugar Industry (Chayou Qianqi) Co., Ltd.	
No. 1 Botian Road, Economic Development Zone, Zhangbei County, Zhangjiakou City, Hebei Province, China	
Botian Sugar Industry (Zhangbei) Co., Ltd.	
Development Zone Administration Tower, Room 1110, No. 368, Changjiang Road, Nangang Concentrated District, Economic Development Zone, Harbin, China	
Botian Sugar Industry Co., Ltd.	
1 Industrial North Street, Zhangjiakou, Zhangbei County, Hebei Province, China	
Hebei Mauri Food Co., Ltd.	
8 Lancun Road, Economic and Technical Development Zone, Minhang, Shanghai 200245, China	
Shanghai AB Food & Beverages Co., Ltd	
No. 68-1, Shuanglong Road, Fushan District, Yantai City, Shandong Province, China	
Yantai Mauri Yeast Co., Ltd.	92%
Colombia	
Cra 35# 34A-64, Palmira, Valle, Colombia	
Fleischmann Foods S.A.	
Czech Republic	
Nádražní 523, 349 01 Stříbro, Czech Republic	
Bodit Tachov s.r.o.	
Palladium, Na Poř ř í 1079/3a, Prague 1, 110 00, Czech Republic	
Primark Prodejny s.r.o.	
Denmark	
Skjernvej 42, Trøstrup, 6920 Videbæk, Denmark	
AB Neo A/S	
Middelfartveg 77, Baring, 5466 Asperup, Denmark	
Cowconnect ApS	
Ecuador	
Medardo Ángel Silva 13 y Panamá, Manzana 12, El Recreo, Eloy Alfaro, Durán, Guayas, Ecuador	
ABCALSA S.A.	

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

29. Group entities *continued*

Subsidiary undertakings	% effective holding if not 100%
Eswatini	
Ubombo Sugar Limited, Old Main Road, Big Bend, Eswatini	
Bar Circle Ranch Limited	60%
Illovo Swaziland Limited	60%
Moyeni Ranch Limited	60%
Ubombo Sugar Limited	60%
Finland	
Tykkimäentie 15b (PO Box 26), Rajamäki, FI-05200, Finland	
AB Enzymes Oy	
Tykkimäentie 15b (PO Box 57), Rajamäki, FI-05201, Finland	
Enzymes Leasing Finland Oy	
France	
40/42, avenue Georges Pompidou, 69003, à Lyon, France	
AB Mauri France SAS	
11 Rue de Milan, 75009, Paris, France	
ABFI France SAS	
5 Boulevard de l'Oise, Immeuble Le Rond Point, 95000 Cergy Pontoise, Cédex, France	
Twinings & Co S.A.S. (previously Foods International SAS)	
3-5 Rue Saint-Georges, 75009, Paris, France	
Primark France SAS	
845 Chemin du Vallon du maire, 13240, Septemes les Vallons, France	
SPI Pharma SAS	
Germany	
Feldbergstrasse 78, 64293, Darmstadt, Germany	
AB Enzymes GmbH	
Wandsbeker Zollstrasse 59, 22041, Hamburg, Germany	
ABF Deutschland Holdings GmbH	
Ohly GmbH	
Ohly Grundbesitz GmbH	
Rheinische Presshefe- und Spritwerke GmbH	
Kennedyplatz 2, 45127, Essen, Germany	
Primark Mode Ltd. & Co. KG	
Primark Property GmbH	
Westendstrasse 28, 60325, Frankfurt am Main, Germany	
Wander GmbH	
Marie-Kahle-Allee 2, D-53113, Bonn, Germany	
Westmill Foods Europe GmbH	
Guernsey	
Dorey Court, Admiral Park, St. Peter Port, GY1 2HT, Guernsey	
Talisman Guernsey Limited	
Hong Kong	
Workshop D, 8th Floor, Reason Group Tower, No.403 Castle Peak Road, Kwai Chung, New Territories, Hong Kong	
Associated British Foods Asia Pacific Holdings Limited	
Hungary	
Károlyi utca 12. 3. em., Budapest, 1053, Hungary	
PSH Violet Korlátolt Felelősségő Társaság	
India	
#218 & #219, Bommasandra – Jigani Link Road, Anekal Taluk, Bangalore, 560105, India	
AB Mauri India Private Limited	
First Floor, Regent Sunny Side, 80 Ft Road, 8th Block, Koramangala Bengaluru, Karnataka, 560030, India	

Subsidiary undertakings	% effective holding if not 100%
SPI Specialties Pharma Private Limited	
G3/41, New Budge Budge Trunk Road, Old Dakghar, Kolkata, West Bengal, 700141, India	
Twinings Private Limited	
Indonesia	
Wisma GKBI Lt.39, Suite 3901, No.28 Jl. Jend, Sudirman, Jakarta , Indonesia	
PT AB Food & Beverages Indonesia (in liquidation)	
Ireland	
47 Mary Street, Dublin 1, Ireland	
Abdale Finance Limited	
Primark Holdings	
Primark Pension Trustees Limited	
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland	
Allied Mills Ireland Limited	
Intellync Technology Limited	
Arthur Ryan House, 22-24 Parnell Street, Dublin 1, Ireland	
Primark Limited	
Primark Austria Limited	
Primark Mode Limited	
Italy	
Viale Monte Nero, 84, 20135, Milan, Italy	
AB Agri Italy S.r.l	
Via Milano 42, 27045, Casteggio, (Pavia), Italy	
AB Mauri Italy S.p.A.	
ABF Italy Holdings S.r.l.	
Largo Francesco Richini 2/A, 20122, Milan, Italy	
Primark Italy S.r.l.	
Via Rizzotto 46, 41126, Modena (MO), Italy	
Acetaia Fini Modena S.r.l.	
Via Sandro Pertini 440, 401314, Cavezzo (MO), Italy	
Acetum S.p.A.	
Jersey	
First Floor, Durell House, 28 New Street, St. Helier, JE2 3RA, Jersey	
Bonuit Investments Limited	
Luxembourg	
69, Boulevard de la Pétrusse, L-2320, Luxembourg	
ABF European Holdings & Co SNC (in liquidation)	
Malawi	
Illovo House, Churchill Road, Limbe, Malawi	
Dwangwa Sugar Corporation Limited	76%
Illovo Sugar (Malawi) plc	76%
Malawi Sugar Limited	
Malaysia	
Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, 59200 Jalan Kerinchi, Kuala Lumpur, Malaysia	
AB Mauri Malaysia Sdn. Bhd.	52%
Malta	
171 Old Bakery Street, Valletta, VLT 1455, Malta	
Relax Limited	70%

Subsidiary undertakings	% effective holding if not 100%
Mauritius	
10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius	
Illovo Group Financing Services	
Illovo Group Holdings Limited	
Illovo Group Marketing Services Limited	
Kilombero Holdings Limited	
Sucoma Holdings Limited	
Mexico	
Paseo de la Reforma No 2620, Edificio Reforma Plus, piso 8, 803, 804 y 805, Col. Lomas Atlas, DF 11950, Mexico	
AB CALSA S.A. de C.V.	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.	
Avenida Javier Barros Sierra 495, piso 7 oficina 07-102, Col. Santa Fe, Alvaro Obregón, Ciudad de México, 01219, México	
ACH Foods Mexico, S. de R.L. de C.V.	
Avenida Javier Barros Sierra 495, piso 7 oficina 07-103, Col. Santa Fe, Alvaro Obregón, Ciudad de México, 01219, México	
Servicios Alimentos Capullo, S. de R.L. de C.V.	
Mozambique	
KM75 EN1, Maçiana, Distrito de Manhiça, Provincia de Maputo, Mozambique	
Maragra Açucar, S.A.	
Netherlands	
Mijlweg 77, 3316 BE, Dordrecht, Netherlands	
AB Mauri Netherlands B.V.	
AB Mauri Netherlands European Holdings B.V.	
Foods International Holding B.V.	
Van Oldenbarneveltplaats 36, 3012 AH, Rotterdam, Netherlands	
Primark Fashion B.V.	
Primark Netherlands B.V.	
Primark Stil B.V.	
Weena 505, 3013AL Rotterdam, Netherlands	
AB Vista Europe B.V.	
7122 JS Aalten, Dinxperlosestraatweg 122, Netherlands	
Germains Seed Technology B.V.	
Oude Kerkstraat 55 4878 AK, Etten-Leur, Netherlands	
Mauri Technology B.V.	
Dalsteindreef 141, Diemen, 1112XJ, Netherlands	
Westmill Foods Europe B.V.	
New Zealand	
Building 3, Level 2, 666 Great South Road, Ellerslie, Auckland 1051, New Zealand	
Allied Foods (NZ) Ltd	
Anzchem NZ Limited	
George Weston Foods (NZ) Limited	
Nigeria	
23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria	
Twinings Ovaltine Nigeria Limited	
Pakistan	
21KM Ferozepur Road, 2 KM Hadyara Drain, Lahore, Pakistan	
AB Mauri Pakistan (Private) Limited	60%
Peru	
Av. Republica de Argentina No. 1227, Z.I. La Chalaca, Callao, Peru	
Calsa Perú S.A.C.	
Philippines	
86 E Rodriguez Jr. Ave., Ugong Norte, QC,1604, Pasig City, Metro Manila, Philippines	

Subsidiary undertakings	% effective holding if not 100%
AB Food & Beverages Philippines, Inc.	99%
1201-1202 Prime Land Building, Market Street, Madrigal Business Park, Ayala Alabang, Muntinlupa,1770, Philippines	
AB Mauri Philippines, Inc.	
Poland	
Przemysłowa 2, 67-100 Nowa Sól, Lubuskie, Poland	
AB Foods Polska Spólka z ograniczona odpowiedzialnoscia (AB Foods Polska Sp. z o.o.)	
Towarowa 28,00-839 Warsaw, Poland	
Primark Sklepy spolka z ograniczona odpowiedzialnoscia (Primark Sklepy sp. z.o.o)	
ul. Rabowicka 29/31, 62-020, Swarzędz – Jasin, Poland	
R. Twining and Company Spólka z ograniczona odpowiedzialnoscia (R. Twining and Company Sp. z o. o.)	
ul. Główna 3A, Bruszczewo, 64-030, Śmigiel, Poland	
AB Agri Polska spolka z organiczona odpowiedzialnoscia (AB Agri Polska sp.z.o.o)	
Portugal	
Avenida Salvador Allende, n.º 99, Lisboa Oeiras, Julião da Barra, Paço de Arcos e Caxias, 2770-157, Paco de Arcos, Portugal	
AB Mauri Portugal, S.A.	96%
Rua Castilho 50, 1250-071, Lisbon, Portugal	
Lojas Primark Portugal – Exploracao, Gestao e Administracao de Espacos Comerciais S.A.	
Romania	
Sectorul 1, Strada Tipografilor, Nr. 11-15, S-Park, Corp B3-B4, Birou 38, Etaj 4, Bucureř ti, Romania	
PSR Indigo S.R.L.	
Rwanda	
Shop number E002B, 1st Floor, CHIC Building, Nyarugenge District, Nyarugenge Sector, Kigali City, Rwanda	
Illovo Sugar (Kigali) Limited	
Singapore	
80 Robinson Road, #02-00, 068898 Singapore	
AB Mauri Investments (Asia) Pte Ltd	
112 Robinson Road #05-01, 068902 Singapore	
AB Vista Asia Pte. Limited	
Slovakia	
Staromestska 3, 811 03 Bratislava - Stare Mesto, Slovakia	
Primark Slovakia s.r.o.	
Slovenia	
Bleiweisova cesta 30, Ljubljana, 1000, Slovenia	
Primark Trgovine, trgovsko podjetje, d.o.o.	
South Africa	
1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal, 4320, South Africa	
CGS Investments (Pty) Limited	
East African Supply (Pty) Limited	
Glendale Sugar (Pty) Ltd	
Illovo Distributors (Pty) Limited	
Illovo Sugar (South Africa) Proprietary Limited	
Illovo Sugar Africa Proprietary Limited	
Illprop (Pty) Limited	
Lacsa (Pty) Limited	70%
Noodsberg Sugar Company (Pty) Ltd	
Reynolds Brothers (Pty) Ltd	
S.A. Sugar Distributors (Pty) Limited	
Smithchem (Pty) Limited	
Umzimkulu Sugar Company (Pty) Ltd	

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29. Group entities *continued*

Subsidiary undertakings	% effective holding if not 100%
Spain	
Calle Cardenal Marcelo Spínola, 42, 28016, Madrid, Spain	
AB Azucarera Iberia, S.L. Sociedad Unipersonal	
AB Vista Iberia, S.L.	
Calle Levadura, 5 14710, Villarrubia, Córdoba	
AB Mauri Food, S.A	
AB Mauri Spain, S.L.U.	
ABF Iberia Holding S.L.	
C/ Escultor Coomonte nº. 2, Entreplanta, Benavente, Zamora, Spain	
Agroteo S.A.	53%
Calle Comunidad de Murcia, Parcela LIE-1-03, Plataforma Logistica de Fraga, 22520, Huesca, Spain	
Alternative Swine Nutrition, S.L.	
Calle Escoles Pies 49, Planta Baja, 08017 Barcelona, Spain	
DR Healthcare España, S.L.U.	
Avienda Virgen de Montserrat, 44 Castelloli, 08719, Barcelona, Spain	
Germains Seed Technology, S.A.	
Plaza Pablo Ruiz Picasso S/N, Torre Picasso, Planta 37, Madrid, Spain	
Illovo Sugar Espana, S.L.	
Gran Via, 32 5o 28013, Madrid, Spain	
Primark Tiendas, S.L.U.	
8, 2 Calle Via Servicio I, 2 CP, 19190 Torija, Guadalajara, Spain	
Primark Logistica, S.L. Sociedad Unipersonal	
Sri Lanka	
124 Templers Road, Mount Lavinia, Sri Lanka	
AB Mauri Lanka (Private) Limited	
Sweden	
Nobels väg 16, 171 65 Solna, Sweden	
Larodan AB	
Switzerland	
Fabrikstrasse 10, CH-3176, Neuenegg, Switzerland	
Wander AG	
Taiwan	
5F, No. 217, Sec 3, Nanking E Rd, Taipei City, 104, Taiwan (R.O.C.)	
AB Food and Beverages Taiwan, Inc.	
Tanzania	
Msolwa Mill Office, Kidatau, Kilombero District, Tanzania	
Illovo Distillers (Tanzania) Limited	
Illovo Tanzania Limited	
Kilombero Sugar Company Limited	75%
Thailand	
11th Floor, 2535 Sukhumvit Road, Kwaeng Bangchak, Khet Prakhanong, Bangkok, 10260, Thailand	
AB Food & Beverages (Thailand) Ltd.	
ABF Holdings (Thailand) Ltd.	
1 Empire Tower, 24th Floor, Unit 2412-2413, South Sathorn Road, Yannawa, Sathorn, Bangkok, 10120, Thailand	
AB World Foods Asia Ltd	
229/110 Moo 1, Teparak Road, T. Bangsaothong, A. Bangsaothong, Samutprakarn, 10540, Thailand	
Jasol Asia Pacific Limited	

Subsidiary undertakings	% effective holding if not 100%
Turkey	
Aksakal Mahallesi, Kavakpinari, Kume Evleri No. 5, Bandirma- Balikesir, 10245, Turkey	
Mauri Maya Sanayi A.S.	
United Arab Emirates	
Office 604ª, Jafza LOB 15, Jebel Ali Freezone, Dubai, PO BOX 17620, United Arab Emirates	
AB Mauri Middle East FZE	
United States	
CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017, United States	
AB Mauri Food Inc.	
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	
AB Enzymes, Inc.	
AB Vista, Inc.	
AB World Foods US, Inc.	
ABF North America Corp.	
ABF North America Holdings, Inc.	
Abitec Corporation	
ACH Food Companies, Inc.	
ACH Jupiter LLC	
B.V. ABF Delaware, Inc.	
BakeGood, LLC	
Germains Seed Technology, Inc.	
PGP International, Inc.	
Primark US Corp.	
SPI Pharma, Inc.	
SPI Polyols, LLC	
Twinings North America, Inc.	
101 Arch Street, Floor 3, Boston MA 02110, United States	
Primark GCM LLC	
158 River Road, Unit B, Clifton, NJ 07014, United States	
Balsamic Express LLC	
158 River Road, Unit A, Clifton, NJ 07014, United States	
Modena Fine Foods, Inc.	
Registered Agent Solutions, 1220 S St Ste 150, Sacramento CA 95811	
PennyPacker, LLC	80%
Registered Agent Solutions Inc., 9 E Loockerman Street Suite 311, Dover, Kent DE 19901, United States	
Prosecco Source, LLC	80%
Uruguay	
Cno. Carlos Antonio Lopez 7547, Montevideo, Uruguay	
Levadura Uruguaya S.A.	
Venezuela	
Oficinas Once 3 (N° 11-3) y Once 4 (N° 11-4), Torre Mayupan, Centro Comercial San Luis, Av.Principal Urbanización San Luis, cruce con Calle Comercio, Caracas, Bolivarian Republic of Venezuela	
Alimentos Fleischmann, C.A.,	
Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	

Subsidiary undertakings	% effective holding if not 100%
Vietnam	
Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Choi Minh City, Vietnam	
AB Agri Vietnam Company Limited	
La Nga Commune, Dinh Quan District, Dong Nai Province, Vietnam	
AB Mauri Vietnam Limited	66%

Subsidiary undertakings	% effective holding if not 100%
Zambia	
Nakambala Estates, Plot No. 118a Lubombo Road, Off Great North Road, Zambia	
Illovo Sugar (Zambia) Limited	
Nanga Farms PLC	75%
Tukunka Agricultural Limited	75%
Zambia Sugar plc	75%

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29. Group entities *continued*

Joint ventures

A list of the Group's joint ventures as at 18 September 2021 is given below. All joint ventures are included in the Group's financial statements using the equity method of accounting.

Joint ventures	% holding
United Kingdom	
Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom	
Frontier Agriculture Limited	50%
Boothmans (Agriculture) Limited	50%
Forward Agronomy Limited	50%
G F P (Agriculture) Limited	50%
GH Grain Limited	50%
GH Grain (No. 2) Limited	50%
Grain Harvesters Limited	50%
Intracrop Limited	50%
Nomix Limited	50%
North Wold Agronomy Limited	50%
Phoenix Agronomy Limited	50%
SOYL Limited	50%
The Agronomy Partnership Limited	50%
Berth 36, Test Road, Eastern Docks, Southampton, Hampshire, SO14 3GG, United Kingdom	
Southampton Grain Terminal Limited	50%
Kingseat, Newmacher, Aberdeenshire, AB21 0UE, Scotland, United Kingdom	
Euroagkem Limited	50%
Lothian Crop Specialists Limited	50%
47, Beaumount Seymour & Co, Butt Road, Colchester, Essex CO3 3BZ, United Kingdom	
Anglia Grain Holdings Limited	50%
Riverside, Wissington Road, Nayland, Colchester, Essex, CO6 4LT, United Kingdom	
Anglia Grain Services Limited	50%
Unit 8, Burnside Business Park, Burnside Road, Market Brayton, TF9 3UX, United Kingdom	
B.C.W (Agriculture) Limited	50%
Witham St Hughs, Lincoln, LN6 9TN, United Kingdom	
Nomix Enviro Limited	50%
Australia	
Building A, Level 2, 11 Talavera Road, North Ryde NSW 2113, Australia	
Fortnum & Masons Pty Limited	33%

Joint ventures	% Holding
Chile	
Ave. Balmaceda 3500, Valdivia, Chile	
Levaduras Collico S.A.	50%
China	
1828 Tiejueshan Road, Huangdao District, Qingdao, Shandong Province, China	
Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	25%
Jie Liang Zi, Huo Cheug, Yi Li, Xinjiang, China	
Xinjiang Mauri Food Co., Ltd.	50%
Room 607, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China	
AB Mauri Yihai Kerry Investment Company Limited	50%
Room 608, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China	
AB Mauri Yihai Kerry Food Marketing (Shanghai) Co., Ltd	50%
Ta Ha Comprehensive Industrial Park, Fuyu County Economic Development Area, Qiqihar, Heilongjiang Province, China	
AB Mauri Yihai Kerry (Fu Yu) Yeast Tehcnology Co., Ltd	50%
Xinsha Industrial Zone, Machong Town, Dongguan, Guangdong Province, China	
AB Mauri Yihai Kerry (Dongguan) Food Co., Ltd	50%
Finland	
Tykkimäentie 15b (PO Box 57), Rajamäki, FIN-05201, Finland	
Roal Oy	50%
France	
59, Chemin du Moulin, 695701, Carron, Dardilly, France	
Synchronis	50%
Germany	
Brede 4, 59368, Werne, Germany	
UNIFERM GmbH & Co. KG	50%
INA Nahrmittel GmbH	50%
UNIFERM Verwaltungs GmbH	50%
Brede 8, 59368, Werne, Germany	
UNILOG GmbH	50%
Japan	
36F Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo 105-6236, Japan	
Twinings Japan Co Ltd	50%
Poland	
ul. Wybieg, nr 5, lok 9, miesjsc, KOD 61-315, Poznan, Poland	
Uniferm Polska Sp Z.o.o	50%
South Africa	
1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal 4320, South Africa	
Glendale Distilling Company	50%
Spain	
C/ Raimundo Fernández, Villaverde 28, Madrid, Spain	
Compañía de Melazas, S.A.	50%
United States	
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	
Stratas Foods LLC	50%
Stratas Receivables I LLC	50%

Associates

A list of the Group's associates as at 18 September 2021 is given below. All associates are included in the Group's financial statements using the equity method of accounting.

Associates	% holding
United Kingdom	
Pacioli House, Duncan Close, Moulton Park Industrial Estate, Northampton, NN3 6WL, United Kingdom	
Bakers Basco Limited	20%
Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB, United Kingdom	
C. Czarnikow Limited	43%
Czarnikow Group Limited	43%
C. Czarnikow Sugar Futures Limited	43%
C. Czarnikow Sugar Limited	43%
Sugarworld Limited	43%
The Cook Kitchen, Eurolink Way, Sittingbourne, Kent, ME10 3HH, United Kingdom	
Cook Trading Limited	16%
Vernon House, 40 New North Road, Huddersfield, West Yorkshire, HD1 5LS, United Kingdom	
Proper Nutty Limited	40%
Australia	
283 Flagstaff Road, Brinkley SA 5253, Australia	
Big Pork River (Australia) Pty Ltd	20%
Big River Pork Pty Ltd	20%
Murray Bridge Bacon Pty Ltd	20%
32 Davis Road, Wetherill Park, Sydney NSW 2164, Australia	
New Food Coatings Pty Ltd	50%
Bahrain	
Suite No. 1959 Diplomatic Commercial Office, Tower B, Building No. 1565, Road 1722, Diplomatic Area/ Manama 317, Bahrain	
Czarnikow Supply Chain Sales for Food & Beverage Ingredients Bahrain S.P.C.	43%
Brazil	
Avenida Presidente Juscelino Kubitschek, n.º 2.041, 11º andar- Vila Olímpia, CEP 04.543-011, São Paulo, Brasil	
Czarnikow Brasil Ltda	43%
Rua Fidêncio Ramos, 308, cj64, Torre A, Vila Olímpia, São Paulo, SP, Cep 04551-010, Brasil	
Cz Energy Comercializado Ra De Etanol S.A	21%
China	
Room 17A01, 232 Zhong Shan 6th Road, Guangzhou City, Guangdong Province, 510180, China	
C. Czarnikow Sugar (Guangzhou) Company Ltd	43%
India	
House No. 1-8-373/A, Chiran Fort Lane, Begumpet, Hyderabad, 500003, India	
C. Czarnikow Sugar (India) Private Limited	43%
Indonesia	
Komplex Puri Mutiara Blok A21-22, JL. Griya Utama, Sunter Agung, Jakarta, 14350, Indonesia	
PT Indo Fermex	49%
P.T. Jaya Fermex	49%
PT Sama Indah	49%
Israel	
3 Golda Meir St. Ness Ziona, 74-036, Israel	
Sucarim (Czarnikow Israel Sugar Trading) Ltd	43%
8th Galgalay haplada, Herzlia, Israel	
Sucris Limited	21%
Italy	
Via Borgogna, 2-20122, Milan, Italy	
Czarnikow Italia Srl	43%

Associates	% Holding
Kenya	
I & M Bank House, Second Ngong Avenue, P.O. Box 10517, Nairobi 00100, Kenya	
C. Czarnikow Sugar (East Africa) Limited	43%
Mauritius	
No 5 President John Kennedy Street, Port Louis, Mauritius	
Sukpak Limited	30%
Mexico	
Descartes #54 Int. 101, Col. Nueva Anzures Ciudad de Mexico, 11590, Mexico	
C. Czarnikow Sugar (Mexico), S.A. de C.V.	43%
Czarnikow Servicios de Personales (Mexico), S.A. de C.V.	43%
New Zealand	
c/o KPMG, 18 Viaduct Harbour Avenue, Maritime Square, Auckland, New Zealand	
New Food Coatings (New Zealand) Limited	50%
Philippines	
Unit A, 103 Excellence Avenue, Carmelray Industrial Park 1, Canlubang, Calamba, Laguna, Philippines	
New Food Coatings (Philippines) Inc.	50%
Singapore	
3 Phillip Street, #14-01 Royal Group Building, Singapore 048693	
C. Czarnikow Sugar Pte. Limited	43%
South Africa	
1 Gledhow Mill Road, Gledhow, Kwadukuza, 4450, South Africa	
Gledhow Sugar Company (Pty) Limited	30%
Tanzania	
7th Floor Amani Place, Ohio Street, PO Box 38568, Dar-es-Salaam, Tanzania	
Czarnikow Tanzania Limited	43%
Msolwa Mill Office, Kidatau, Tanzania	
Kilombero Sugar Distributors Limited	20%
Thailand	
909 Moo 15, Teparak Road, Tambol Bangsaothong, King Amphur Bangsaothong, Samutprakarn, Thailand	
Newly Weds Foods (Thailand) Ltd	50%
Newly Weds Foods (Trading) Limited (in liquidation)	50%
1203, 12th Floor, Metropolis Building, 725 Sukhumvit Road, North Klongton, Wattana, Bangkok, 10110, Thailand	
Czarnikow (Thailand) Limited	43%
United States	
333 SE 2nd Avenue, Suite 2860, Miami, FL 33131, USA	
C. Czarnikow Sugar Inc.	43%
Vietnam	
5th Floor, IMC Tower, 62 Tan Quang Khai, Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam	
Czarnikow (Vietnam) Limited	43%

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

30. Alternative performance measures

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

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

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

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Like-for-like sales	No direct equivalent	The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency in our retail stores adjusted for new stores, closures and relocations. Refits, extensions and downsizes are also adjusted for if a store's retail square footage changes by 10% or more. For each change described above, a store's sales are excluded from like-for-like sales for one year. No adjustments are made for disruption during refits, extensions or downsizes if a store's retail square footage changes by less than 10%, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each year.	Consistent with the definition given
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

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
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 detail provided in note 2 of the financial statements

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

30. Alternative performance measures *continued*

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Constant currency	Revenue and see adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year figures at current year average exchange rates, except for countries where CPI has escalated to extreme levels, in which case actual exchange rates are used. There are currently 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 the investment each year in non-current assets in existing businesses. It comprises cash outflows from the purchase of property, plant and equipment and intangibles.	See note D
Gross investment	No direct equivalent	Gross investment is a measure of the investment each year in non-current assets in existing businesses and acquisitions of new businesses. It includes capital expenditure as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings purchased from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	See note E
Net cash/debt before lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is shown in note 25 of the financial statements

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
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 impairments charged to adjusted operating profit.	See note F
Financial leverage ratio	No direct equivalent	Financial leverage is the ratio of net cash/debt including lease liabilities to adjusted EBITDA.	See note F
(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 for 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. Average working capital for each segment and for the Group is calculated by averaging the working capital for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
(Average) working capital as a percentage of revenue	No direct equivalent	This measure expresses (average) working capital as a percentage of revenue.	Consistent with the definition given

Notes forming part of the financial statements

for the 53 weeks ended 18 September 2021

30. Alternative performance measures *continued*

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**	81.1
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

Company balance sheet

at 18 September 2021

	Note	2021 £m	2020 £m
Fixed assets			
Intangible assets	1	**15**	17
Right-of-use assets	2	**12**	15
Investments in subsidiaries	3	**720**	708
		747	740
Current assets			
Debtors:			
– due within one year	4	**2,576**	2,660
– due after one year	4	**146**	152
Employee benefits assets – due after one year	5	**633**	94
Derivative assets		**44**	61
Cash and cash equivalents		**1,653**	1,454
		5,052	4,421
Creditors: amounts falling due within one year			
Bank loans and overdrafts – unsecured		**(229)**	(23)
Lease liabilities	2	**(3)**	(3)
Other creditors	7	**(3,322)**	(3,096)
		(3,554)	(3,122)
Net current assets		**1,498**	1,299
Total assets less current liabilities		**2,245**	2,039
Creditors: amounts falling due after one year			
Bank loans – unsecured		**(74)**	(317)
Lease liabilities	2	**(11)**	(14)
Amounts owed to subsidiaries	7	**(243)**	(253)
Employee benefits liabilities	5	**(37)**	(38)
Deferred tax liabilities	6	**(137)**	–
		(502)	(622)
Net assets		**1,743**	1,417
Capital and reserves			
Issued capital	8	**45**	45
Capital redemption reserve	8	**2**	2
Hedging reserve	8	**4**	4
Profit and loss reserve	8	**1,692**	1,366
Equity shareholders' funds		**1,743**	1,417

The Company's loss for the 53 weeks ended 18 September 2021 was £44m (52 weeks ended 12 September 2020 was £39m).

The financial statements on pages 214 to 221 were approved by the Board of directors on 9 November 2021 and were signed on its behalf by:

Michael McLintock
Chairman

John Bason
Finance Director

Company statement of changes in equity

for the 53 weeks ended 18 September 2021

	Share capital £m	Capital redemption reserve £m	Hedging reserve £m	Profit and loss reserve £m	Total £m
Balance as at 14 September 2019	45	2	2	1,771	1,820
IFRS 16 opening balance adjustment	–	–	–	1	1
Balance as at 15 September 2019	45	2	2	1,772	1,821
Total comprehensive income					
Loss for the period recognised in the income statement	–	–	–	(39)	(39)
Remeasurement of defined benefit schemes	–	–	–	(124)	(124)
Deferred tax associated with defined benefit schemes	–	–	–	19	19
Items that will not be reclassified to profit or loss	–	–	–	(105)	(105)
Movement in cash flow hedging position	–	–	2	–	2
Items that are or may be subsequently reclassified to profit or loss	–	–	2	–	2
Other comprehensive income/(loss)	–	–	2	(105)	(103)
Total comprehensive income/(loss)	–	–	2	(144)	(142)
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(271)	(271)
Net movement in own shares held	–	–	–	8	8
Deferred tax associated with share based payments	–	–	–	1	1
Total transactions with owners	–	–	–	(262)	(262)
Balance as at 12 September 2020	45	2	4	1,366	1,417
Total comprehensive income					
Loss for the period recognised in the income statement	–	–	–	(44)	(44)
Remeasurement of defined benefit schemes	–	–	–	544	544
Deferred tax associated with defined benefit schemes	–	–	–	(142)	(142)
Items that will not be reclassified to profit or loss	–	–	–	402	402
Other comprehensive income	–	–	–	402	402
Total comprehensive income	–	–	–	358	358
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(49)	(49)
Net movement in own shares held	–	–	–	17	17
Total transactions with owners	–	–	–	(32)	(32)
Balance as at 18 September 2021	**45**	**2**	**4**	**1,692**	**1,743**

Accounting policies

for the 53 weeks ended 18 September 2021

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million. They are prepared under the historical cost basis, except that derivative financial instruments are stated at their fair value, and in accordance with FRS 101 and the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

As permitted by section 408(4) of the Companies Act 2006, a separate income statement and statement of comprehensive income for the Company has not been included in these financial statements. The principal accounting policies adopted are described below. They have all been applied consistently to all years presented.

Intangible assets

Intangible assets comprise goodwill arising on business combinations and operating intangibles. Goodwill is defined under 'Business acquisitions' on page 156 of the consolidated financial statements. The Companies Act 2006 requires goodwill to be amortised on a systematic basis over its useful economic life. Under FRS 101, goodwill is not amortised but is instead reviewed for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the requirement to amortise goodwill in the Companies Act 2006. Had the Company amortised goodwill, a period of three years would have been chosen as its useful life from the date of transition. The loss for the year would have been no different as the goodwill would already have been fully amortised.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment charges. Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of intangible assets from the date they are available for use. The estimated useful lives are generally deemed to be no longer than five years.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Impairment

The carrying amount of the Company's investments in subsidiaries and other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at least annually. An impairment charge is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

Financial assets and liabilities

Financial assets and financial liabilities, except for derivatives, are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortised cost.

Derivatives

Derivatives are used to manage the Company's economic exposure to financial risks. The principal instruments used are foreign exchange contracts and swaps. Derivatives are recognised in the balance sheet at fair value based on market prices or rates, or calculated using either discounted cash flow or option pricing models. Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting when recognition of any change in fair value depends on the nature of the item being hedged.

Pensions and other post-employment benefits

The Company operates one defined contribution and two defined benefit pension schemes. The Company is the principal employer of the Associated British Foods Pension Scheme, which is a funded final salary scheme that is closed to new members, as well as a small unfunded final salary scheme. For the defined benefit schemes, the amount charged in the income statement is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members by the Company during the year. It also includes net interest expense or income calculated by applying the liability discount rate to the net pension asset or liability. The difference between market value of assets and present value of liabilities is disclosed as an asset or liability in the balance sheet. Any related deferred tax (to the extent recoverable) is disclosed separately in the balance sheet. Remeasurements are recognised immediately in other comprehensive income. Surpluses are recognised only to the extent that they are recoverable. Contributions payable by the Company in respect of defined contribution plans are charged to operating profit as incurred.

Income tax

Income tax on profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items taken directly to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, using tax rates enacted or substantively enacted at the balance sheet date, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Share-based payments

The fair value of the share awards at grant date is recognised as an employee expense with a corresponding increase in equity, spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect expected and actual levels of vesting except where the failure to vest is as a result of not meeting a market condition.

Where the Company grants allocations of shares to employees of its subsidiaries, these are accounted for on the same basis as allocations to employees of the Company, except that the fair value is recognised as an increase to investment in subsidiaries with a corresponding increase in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less.

Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period.

In the 2020 financial year, the opening balance sheet was drawn up under IAS 17 *Leases*, with the adoption of IFRS 16 *Leases* on 15 September 2019 reflected as an opening balance adjustment in the 2020 financial year.

Since that date, where the Company is a lessee, the following accounting policy applied:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value.

Lease payments on short-term leases and leases of low-value assets are expensed to the income statement.

Lessor accounting

Where the Company subleases assets, the sublease classification is assessed with reference to the head lease right-of-use asset. This assessment considers, among other factors, whether the sublease represents the majority of the remaining life of the head lease.

The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised. This assessment takes into consideration whether the sublet/head lease are above/below market rate.

Amounts due from lessees under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the incremental borrowing rate at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for lessees under finance leases is recognised in the income statement.

The Company recognises finance income over the lease term, reflecting a constant periodic rate of return on the net investment in the lease. Operating lease income is recognised as earned on a straight-line basis over the lease term.

Notes to the Company financial statements

for the 53 weeks ended 18 September 2021

1. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 12 September 2020	14	9	23
At 18 September 2021	**14**	**9**	**23**
Amortisation			
At 12 September 2020	–	(6)	(6)
Amortisation	–	(2)	(2)
At 18 September 2021	**–**	**(8)**	**(8)**
Net book value			
At 12 September 2020	14	3	17
At 18 September 2021	**14**	**1**	**15**

2. Leases

Right-of-use assets

	Land and buildings £m	Total £m
Cost		
At 12 September 2020	18	18
At 18 September 2021	**18**	**18**
Depreciation and impairment		
At 12 September 2020	(3)	(3)
Depreciation for the year	(3)	(3)
At 18 September 2021	**(6)**	**(6)**
Net book value		
At 12 September 2020	15	15
At 18 September 2021	**12**	**12**

Lease liability

	Land and buildings £m	Total £m
Cost		
At 12 September 2020	17	17
Repayment of lease liability	(3)	(3)
At 18 September 2021	**14**	**14**
Current	3	3
Non-current	11	11
	14	**14**

3. Investments in subsidiaries

	£m
At 12 September 2020	708
Additions	12
At 18 September 2021	**720**

The additions relate to the allocation of shares under equity-settled share-based payment plans to employees of the Company's subsidiaries. There were no provisions for impairment in either year.

4. Debtors

	2021 £m	2020 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**2,545**	2,596
Other debtors	**18**	18
Corporation tax recoverable	**13**	46
	2,576	2,660
Amounts falling due after one year		
Amounts owed by subsidiaries	**146**	152

The directors consider that the carrying amount of debtors approximates their fair value.

5. Employee entitlements

	2021 assets £m	2020 assets £m	2021 liabilities £m	2020 liabilities £m	2021 net £m	2020 net £m
Reconciliation of changes in assets and liabilities						
At beginning of year	**3,761**	3,822	**(3,705)**	(3,640)	**56**	182
Current service cost	**–**	–	**(33)**	(35)	**(33)**	(35)
Employee contributions	**6**	5	**(6)**	(5)	**–**	–
Employer contributions	**30**	29	**–**	–	**30**	29
Benefit payments	**(159)**	(150)	**161**	150	**2**	–
Past service cost	**–**	–	**(4)**	–	**(4)**	–
Interest income/(expense)	**60**	75	**(59)**	(71)	**1**	4
Return on scheme assets less interest income	**617**	(20)	**–**	–	**617**	(20)
Actuarial losses arising from changes in financial assumptions	**–**	–	**(75)**	(172)	**(75)**	(172)
Actuarial gains arising from changes in demographic assumptions	**–**	–	**(9)**	40	**(9)**	40
Experience gains on scheme liabilities	**–**	–	**11**	28	**11**	28
At end of year	**4,315**	3,761	**(3,719)**	(3,705)	**596**	56

The net pension asset of £596m comprises a funded scheme with a surplus of £633m and an unfunded scheme with a deficit of £37m.

Further details of the Associated British Foods Pension Scheme are contained in note 12 of the consolidated financial statements.

6. Deferred tax assets and liabilities

	Employee benefits £m	Share-based payments £m	Other £m	Total £m
At 12 September 2020	(11)	3	8	–
Amount charged to the income statement	1	1	(1)	1
Amount charged to equity	(142)	–	–	(142)
Effect of changes in tax rates on income statement	3	(1)	2	4
At 18 September 2021	**(149)**	**3**	**9**	**(137)**

Notes to the Company financial statements

for the 53 weeks ended 18 September 2021

7. Other creditors

	2021 £m	2020 £m
Amounts falling due within one year		
Other taxation and social security	–	1
Accruals and deferred income	60	65
Amounts owed to subsidiaries	3,262	3,030
	3,322	3,096
Amounts falling due after one year		
Amounts owed to subsidiaries	243	253

The directors consider that the carrying amount of creditors approximates their fair value.

8. Capital and reserves

Share capital

At 12 September 2020 and 18 September 2021, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p, each carrying one vote per share. Total nominal value was £45m.

Capital redemption reserve

The non-distributable capital redemption reserve arose following redemption of two million £1 deferred shares at par in 2010.

Dividends

Details of dividends paid and proposed are provided in note 6 to the consolidated financial statements.

Share-based payments

Details of the Company's equity-settled share-based payment plans are provided in note 24 to the consolidated financial statements.

Hedging reserve

The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

9. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company had provided £473m of guarantees in the ordinary course of business as at 18 September 2021 (2020 – £949m).

10. Related parties

The Company has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 29 to the consolidated financial statements. The Company has a related party relationship with its subsidiaries, associates and joint ventures and directors. In the course of normal operations, related party transactions entered into by the Company have been contracted on an arm's length basis.

Material transactions and year end balances with related parties (excluding wholly owned subsidiaries) were as follows:

	Sub note	**2021 £000**	2020 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		**895**	1,095
Dividends paid by the Company 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	1	**300**	3,632
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	**14**	73
Charges to fellow subsidiary undertakings	2	**7**	62
Interest income earned from non-wholly owned subsidiaries	2	**165**	85
Amounts due from non-wholly owned subsidiaries	2	**7,868**	4,299

1. Details of the nature of the relationships with these bodies are set out in note 28 of the consolidated financial statements.
2. Details of the Company's subsidiaries, joint ventures and associates are set out in note 29 of the consolidated financial statements.

11. Other information

Emoluments of directors

The remuneration of the directors of the Company is shown in the Remuneration Report for the Group on pages 117 to 135.

Employees

The Company had an average of 217 employees in 2021 (2020 – 213).

Auditors' fees

Note 2 to the consolidated financial statements of the Group provides details of the remuneration of the Company's auditors on a Group basis.

Progress report

Saturday nearest to 15 September

	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**
Revenue	15,357	15,574	15,824	13,937	**13,884**
Adjusted operating profit	1,363	1,404	1,421	1,024	**1,011**
Exceptional items	–	–	(79)	(156)	**(151)**
Transaction costs	(5)	(2)	(2)	(2)	**(3)**
Amortisation of non-operating intangibles	(28)	(41)	(47)	(59)	**(50)**
Acquired inventory fair value adjustments	–	(23)	(15)	(15)	**(3)**
Profits less losses on disposal of non-current assets	6	6	4	18	**4**
Profits less losses on sale and closure of businesses	293	(34)	(94)	(14)	**20**
Finance income	9	15	15	11	**9**
Finance expense	(59)	(50)	(42)	(124)	**(111)**
Other financial (expense)/income	(3)	4	12	3	**(1)**
Profit before taxation	1,576	1,279	1,173	686	**725**
Taxation	(365)	(257)	(277)	(221)	**(227)**
Profit for the period	1,211	1,022	896	465	**498**
Basic and diluted earnings per ordinary share (pence)	151.6	127.5	111.1	57.6	**60.5**
Adjusted earnings per share (pence)	127.1	134.9	137.5	81.1	**80.1**
Dividends per share (pence)	41.0	45.0	46.35	nil	**26.7**

Glossary

(in accordance with) Adopted IFRS	(in accordance with) international accounting standards in conformity with the requirements of the Companies Act 2006 and (in accordance with) international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
AGM	Annual General Meeting
APM	Alternative Performance Measure
the Board	the board of Associated British Foods plc
CDP	Carbon Disclosure Project
CGU	Cash-generating unit
the Company	Associated British Foods plc
CPI	Consumer Price Inflation (UK)
ESG	Environmental, Social and Governance
ESOP	Employee Share Ownership Plan
EY	Ernst & Young LLP, the Company's statutory auditor (also refers to associated firms of Ernst & Young LLP worldwide who work on the audit of the consolidated financial statements)
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS 101	Financial Reporting Standard 101 *Reduced Disclosure Framework*
GMP	Guaranteed Minimum Pension
the Group	Associated British Foods plc, its subsidiaries and its interests in joint ventures and associates
HSE	Health, Safety and Environment
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard(s)
LIBOR	the London Inter-Bank Offered Rate
LTIP	Long-term incentive plan
Net finance expense	the sum of finance income, finance expense and other financial income on the face of the consolidated income statement
RCF	Revolving Credit Facility
SBTi	the Science Based Targets initiative
STIP	Short-term incentive plan
TCFD	The Task Force for Climate-related Financial Disclosures
UKEB	UK Endorsement Board

Company directory

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Company registered in
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number 293262

Company Secretary
Paul Lister

Registrar
Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Auditor
Ernst & Young LLP
Chartered Accountants

Bankers
Barclays Bank PLC
Lloyds Banking Group plc
NatWest Group plc

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Barclays Bank PLC
5 The North Colonnade
Canary Wharf

Timetable
Annual general meeting
10 December 2021

Interim results to be announced
26 April 2022

Website
www.abf.co.uk

Warning about share fraud
From time to time, companies, their subsidiary companies, and shareholders can be the subject of investment scams. The perpetrators obtain lists of shareholders or subsidiaries and make unsolicited phone calls or correspondence concerning investment matters. They may offer to sell worthless or high-risk shares and may offer to buy your current shareholdings at an unrealistic price. They will often also inform you of untrue scenarios to make you think that you need to sell your shares or to justify an offer that seems too good to be true. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any offers of unsolicited advice, discounted shares, premium prices for shares they own or unsolicited investment opportunities. If you receive any such unsolicited calls, correspondence or investment advice:

- ensure you get the correct name of the person and firm;
- check that the firm is on the Financial Conduct Authority (FCA) Register to ensure they are authorised at www.register.fca.org.uk;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline (0800 111 6768) if there are no contact details in the Register or you are told they are out of date; and
- if you feel uncomfortable with the call or the calls persist, simply hang up.

Forward-looking statements
This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

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