

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 17 September 2022 and of the Group’s profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 52 weeks ended 17 September 2022 which comprise:

Group	Parent company
Consolidated balance sheet as at 17 September 2022	Balance sheet as at 17 September 2022
Consolidated income statement for the 52 weeks then ended	Statement of changes in equity for the 52 weeks then ended
Consolidated statement of comprehensive income for the 52 weeks then ended	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the 52 weeks then ended	
Consolidated statement of cash flows for the 52 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 UK adopted international accounting standards. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

During the period we provided non-audit services to an entity prior to the acquisition by the Group. These non-audit services are prohibited under the FRC’s Ethical Standard but could not reasonably be terminated prior to the acquisition completion. The services were terminated as soon as possible after the completion of the acquisition under a transition framework within a period of no more than three months as permitted by the Ethical Standard. The transition plan was approved by the Audit Committee prior to the acquisition completion date.

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:

- Understanding the process undertaken by management to evaluate the economic impacts of rising costs on the Group and to reflect these in the Group’s forecasts for the going concern period until 2 March 2024;
- Analysing the historical accuracy of forecasting by comparing management’s forecasts to actual results, both for 2022 and 2021 and through the subsequent events period and performing inquiries to the date of this report to determine whether forecast cash flows are reliable based on past experience;
- Considering 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;
- Confirming the current cash and cash equivalents to the financial statements and the Group’s facilities to the agreements and third party confirmations and agreeing the terms of the facilities to the underlying contracts;
- Considering the downside scenario identified by management in their assessment on pages 102 to 103, assessing whether there are any other scenarios which should be considered through reference to the Groups principal risks, and assessing whether the quantum of the impact of the downside scenario in the going concern period was sufficiently severe whilst remaining plausible;
- Evaluating the Group’s ability to undertake mitigating actions should it experience a severe downside scenario, considering likely achievability of both timing and quantum;
- Testing the clerical accuracy of the model used to prepare the Group’s going concern assessment;
- Reperforming the reverse stress test to establish the increases in input costs and the related impact on the cash flows that could lead to a loss of liquidity and considering whether this scenario was plausible;
- 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.

We observed that the Group achieved the forecasts that it was targeting in 2022 and 2021. We observed the significant liquidity that the Group has at its disposal that can be utilised if the modelled downside was to materialise. The Group has the facilities disclosed in note 26 which includes details of the maturities of those facilities.

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 2 March 2024.

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 ability to continue as a going concern.

An overview of the scope of the parent company and Group audits

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

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of 104 components and audit procedures on specific balances for a further 25 components.• The components where we performed full or specific audit procedures accounted for 90% of adjusted profit before taxation, 88% of revenue and 87% of total assets.
Key audit matters	<ul style="list-style-type: none">• Assessment of the carrying value of goodwill, other intangible assets, property, plant and equipment, right of use assets and assets held for sale• Taxation provisions• Revenue recognition, including the risk of management override
Materiality	<ul style="list-style-type: none">• We used a Group materiality of £65 million which represents 5% of adjusted profit before taxation.

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 504 reporting components of the Group, we selected 129 components, which represent the principal business units within the Group.

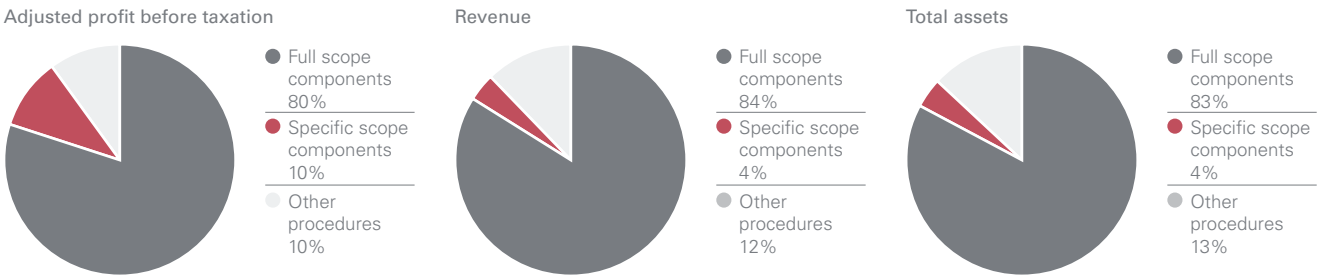
Of the 129 components selected, we performed an audit of the complete financial information of 104 components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining 25 components (“specific scope components”), we performed audit procedures on specific 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 90% (2021: 85%) of the Group’s adjusted profit before taxation, 88% (2021: 85%) of the Group’s revenue and

87% (2021: 86%) of the Group’s total assets. For the current period, the full scope components contributed 80% (2021: 74%) of the Group’s adjusted profit before taxation, 84% (2021: 80%) of the Group’s revenue and 83% (2021: 82%) of the Group’s total assets. The specific scope component contributed 10% (2021: 11%) of the Group’s adjusted profit before taxation, 4% (2021: 5%) of the Group’s revenue and 4% (2021: 4%) of the Group’s total assets. 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 375 components that together represent 10% 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 below illustrate the coverage obtained from the work performed by our audit teams.



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 Group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 104 full scope components, audit procedures were performed on 37 of these directly by the Group audit team and 67 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 completed a combination of physical visits to component teams and 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 physical visits included the senior statutory auditor visiting Ireland and South Africa and other senior members of the primary team physically visiting Argentina and Brazil.

These alternative oversight procedures used video technology to meet with our component team to discuss and direct its audit approach, reviewing key working papers using our global audit software and understanding the significant audit findings in response to the risk areas including asset impairment, tax provisions and revenue recognition. We also held meetings with local management and obtained updates on IT systems implementations and local matters including tax, pensions and legal. The Group 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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Associated British Foods plc. The Group has determined that the most significant future impacts from climate change on their operations will be from the impact on key agricultural crops, the impact of flooding on end to end supply chain including operations, resilience of workers to mitigate/adapt to climate change and transition risks as the world reduces its reliance on Carbon. These are explained on pages 83 to 93 in the TCFD disclosures and on pages 94 to 101 in the principal risks and uncertainties, which form part of the “Other information” rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in these disclosures, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. The scenarios do not lead to a need for reasonably possible change disclosures related to climate change.

Our audit effort in considering climate change was focused on evaluating management’s assessment of the impact of climate risk, physical and transition, and ensuring that the effects of material climate risks disclosed on pages 88 to 93 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being goodwill, other intangible assets, property, plant and equipment and right of use assets. Details of our procedures and findings on the carrying value of goodwill, other intangible assets, property, plant and equipment and right of use assets are included in our key audit matters below. We also challenged the Directors’ considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these 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: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion 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, right of use assets and assets held for sale (2022: £9,968 million, 2021: £9,529 million)	<p>We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs, groups of CGUs or disposal groups and walked through the controls over the process but did not test the operating effectiveness of them.</p> <p>For CGUs where there were indicators of impairment, including the four CGUs or groups of CGUs and the disposal group described, we performed detailed testing to critically assess and corroborate the key inputs to the impairment tests, including:</p> <ul style="list-style-type: none">analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable;for Primark’s stores, understanding and critically evaluating the trading assumptions, comparing the forecast sales to, regional and country forecast market data to determine the suitability of assumptions used in store impairment models;for China Sugar, where the recoverable amount is based on fair value less costs of disposal, considering the evidence available of expected proceeds and the likelihood of achieving these;for Australian meat, we benchmarked assumptions against current production rates and secured customer contracts. We also considered the current state of trade and restrictions across Australia and the associated recovery timeframe;for JDR, analysing pricing agreements reached with customers to assess the ability to achieve pricing increases and we compared cost assumptions to external forecast data for certain cost categories;for AB Mauri, we challenged management’s assumed growth rates in both volume and price by comparison to external market research that we sourced independently and we challenged cost forecasts, including savings, by considering current economic conditions and historical achievement of cost savings;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 long term growth rates assumed by comparing them to economic and industry forecasts that we obtained independently; andconsidering any contra evidence obtained during the course of the audit.	<p>We concluded that the impairments recorded were appropriately recognised and were not materially misstated and were appropriately recorded as exceptional items.</p> <p>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.</p> <p>Of the Group’s assets the portion relating to Australian meat, AB Mauri and JDR 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 the requirements of IAS 36.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<i>continued</i> Significant estimation 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. This risk existed in the prior year as well. We focus our audit effort on those businesses where we believe there is greater risk of impairment. Refer to the audit committee report (pages 121 to 125); accounting policies (pages 171 to 176); accounting estimates and judgements (page 177); and notes 8, 9 and 10 to the consolidated financial statements (pages 186 to 191).	 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. 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 and China Sugar CGUs, the audit procedures performed to address this risk were performed by the Group audit team. The Primark, JDR and Australian meat CGUs were subject to full scope audit procedures by the respective component teams and reviewed by the Group team.	
Tax provisions (included within the income tax liability of £160 million, 2021: £172 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 existed in the prior year as well. Refer to the audit committee report (pages 121 to 125); accounting policies (pages 171 to 176); accounting estimates and judgements (page 177); and note 5 to the consolidated financial statements (page 184).	 We understood: <ul style="list-style-type: none">• The Group’s process for determining the completeness and measurement of provisions for tax;• The methodology for the calculation of the tax provision and considered whether this is compliant with IFRIC 23 requirements; and• Management’s controls over tax reporting, but did not test the operating effectiveness of these controls. 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 outcomes, correspondence with tax authorities and the status of any tax audits. Our work utilised additional support from country tax specialists in five 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 have evaluated the Group’s tax provisions and challenged the judgements applied. We consider the tax 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
Revenue recognition, including the risk of management override (£16,997 million, 2021: £13,884 million) There continues to be pressure 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% (2021: 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 existed in the prior year as well. Refer to the accounting policies (page 171) and note 1 to the consolidated financial statements (pages 178 to 181).	 We understood the revenue recognition policies and how they are applied, including the relevant controls, we did not test the operating effectiveness of these controls. 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 revenue transactions in the period to test the correlation of revenue to cash and sample tested to cash receipts to verify the occurrence of revenue. This provided us with assurance over £14.8 billion (87%) (2021: £11.0 billion (80%)) 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 such as detailed transaction testing to invoices and payments. We performed other audit procedures specifically designed to address the risk of management override of controls in addition to the correlation testing including journal entry testing, applying particular focus to manual journals. We performed full and specific scope audit procedures over this risk area in 85 locations, which covered 88% 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 Primark inventory valuation provisions. This related to the prolonged closure of the Primark stores throughout 2021 due to COVID-19 restrictions in many countries of operation, together with the ongoing uncertainties over the economic recovery, resulting in a risk that the carrying value of inventory was not recoverable, due to products no longer being in season when stores opened and/or suffering damage while stores were closed. In addition, there were committed purchase contracts which could have created an onerous contract risk. This risk is not included in the current year as the stores have remained open for the majority of the 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 £65 million (2021: £39 million), which is 5% (2021: 4%) of adjusted profit before taxation. We believe that adjusted profit before taxation provides us with 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 £34 million (2021: £35 million), which is 2% (2021: 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% (2021: 75%) of our planning materiality, namely £49 million (2021: £29 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 year, the range of performance materiality allocated to components was £1 million to £20 million (2021: £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 (2021: £1 million), which is set at 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 set out on pages 1 to 157, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the Annual Report.

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 course of 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 this gives rise to 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 year 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

We have reviewed the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and parent company’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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 pages 102 and 103;
- Directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on pages 102 and 103;
- Director’s statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 102 and 103;
- Directors’ statement on fair, balanced and understandable set out on page 119;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 120;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 120; and
- The section describing the work of the Audit Committee set out on pages 121 to 125.

Responsibilities of directors

As explained more fully in the Statement of Directors’ Responsibilities set out on page 157, 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 Company 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 (UK adopted International Accounting Standards, 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 from the Audit Committee, we were appointed by the shareholders on 4 December 2015 to audit the financial statements for the 52 weeks ending 17 September 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the 52 weeks ending 17 September 2016 until the 52 weeks ending 17 September 2022. 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
8 November 2022

Consolidated income statement

for the 52 weeks ended 17 September 2022

	Note	2022 £m	2021 £m
Continuing operations			
Revenue	1	16,997	13,884
Operating costs before exceptional items	2	(15,729)	(13,008)
Exceptional items	2	(206)	(151)
		1,062	725
Share of profit after tax from joint ventures and associates	11	109	79
Profits less losses on disposal of non-current assets		7	4
Operating profit		1,178	808
Adjusted operating profit	1	1,435	1,011
Profits less losses on disposal of non-current assets		7	4
Amortisation of non-operating intangibles	8	(47)	(50)
Acquired inventory fair value adjustments	2	(5)	(3)
Transaction costs	2	(6)	(3)
Exceptional items	2	(206)	(151)
Profits less losses on sale and closure of businesses	23	(23)	20
Profit before interest		1,155	828
Finance income	4	19	9
Finance expense	4	(111)	(111)
Other financial income/(expense)	4	13	(1)
Profit before taxation		1,076	725
Adjusted profit before taxation		1,356	908
Profits less losses on disposal of non-current assets		7	4
Amortisation of non-operating intangibles	8	(47)	(50)
Acquired inventory fair value adjustments	2	(5)	(3)
Transaction costs	2	(6)	(3)
Exceptional items	2	(206)	(151)
Profits less losses on sale and closure of businesses	23	(23)	20
Taxation – UK (excluding tax on exceptional items)		(50)	(68)
– UK (on exceptional items)		3	3
– Overseas (excluding tax on exceptional items)		(243)	(196)
– Overseas (on exceptional items)		(66)	34
	5	(356)	(227)
Profit for the period		720	498
Attributable to			
Equity shareholders		700	478
Non-controlling interests		20	20
Profit for the period		720	498
Basic and diluted earnings per ordinary share (pence)	7	88.6	60.5
Dividends per share paid and proposed for the period (pence)	6	43.7	26.7
Special dividend per share proposed for the period (pence)	6	–	13.8

Consolidated statement of comprehensive income

for the 52 weeks ended 17 September 2022

	Note	2022 £m	2021 £m
Profit for the period recognised in the income statement		720	498
Other comprehensive income			
Remeasurements of defined benefit schemes	12	821	559
Deferred tax associated with defined benefit schemes		(198)	(144)
Items that will not be reclassified to profit or loss		623	415
Effect of movements in foreign exchange		440	(355)
Net (loss)/gain on hedge of net investment in foreign subsidiaries		(1)	14
Net gain on other investments held at fair value through other comprehensive income		4	–
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	(6)
Movement in cash flow hedging position		419	39
Deferred tax associated with movement in cash flow hedging position		(28)	(14)
Deferred tax associated with movement in other investments		(1)	–
Share of other comprehensive income/(loss) of joint ventures and associates		28	(10)
Effect of hyperinflationary economies		46	18
Items that are or may be subsequently reclassified to profit or loss		907	(314)
Other comprehensive income for the period		1,530	101
Total comprehensive income for the period		2,250	599
Attributable to			
Equity shareholders		2,219	579
Non-controlling interests		31	20
Total comprehensive income for the period		2,250	599

Consolidated balance sheet

at 17 September 2022

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	8	1,868	1,581
Property, plant and equipment	9	5,599	5,286
Right-of-use assets	10	2,456	2,649
Investments in joint ventures	11	301	278
Investments in associates	11	85	60
Employee benefits assets	12	1,393	640
Income tax	5	23	23
Deferred tax assets	13	158	218
Other receivables	14	58	55
Total non-current assets		11,941	10,790
Current assets			
Assets classified as held for sale	15	45	13
Inventories	16	3,259	2,151
Biological assets	17	105	85
Trade and other receivables	14	1,758	1,367
Derivative assets	26	475	124
Current asset investments	25	4	32
Income tax		67	58
Cash and cash equivalents	18	2,121	2,275
Total current assets		7,834	6,105
Total assets		19,775	16,895
Current liabilities			
Liabilities classified as held for sale	15	(14)	–
Lease liabilities	10	(316)	(289)
Loans and overdrafts	19	(157)	(330)
Trade and other payables	20	(3,114)	(2,386)
Derivative liabilities	26	(205)	(34)
Income tax		(160)	(172)
Provisions	21	(87)	(71)
Total current liabilities		(4,053)	(3,282)
Non-current liabilities			
Lease liabilities	10	(2,936)	(2,992)
Loans	19	(480)	(76)
Provisions	21	(26)	(31)
Deferred tax liabilities	13	(647)	(363)
Employee benefits liabilities	12	(79)	(147)
Total non-current liabilities		(4,168)	(3,609)
Total liabilities		(8,221)	(6,891)
Net assets		11,554	10,004
Equity			
Issued capital	22	45	45
Other reserves	22	178	175
Translation reserve	22	422	(34)
Hedging reserve	22	154	43
Retained earnings		10,649	9,692
Total equity attributable to equity shareholders		11,448	9,921
Non-controlling interests		106	83
Total equity		11,554	10,004

The financial statements on pages 166 to 232 were approved by the Board of Directors on 8 November 2022 and were signed on its behalf by:

Michael McLintock **John Bason**
Chairman Finance Director

Consolidated cash flow statement

for the 52 weeks ended 17 September 2022

	Note	2022 £m	2021 £m
Cash flow from operating activities			
Profit before taxation		1,076	725
Profits less losses on disposal of non-current assets		(7)	(4)
Profits less losses on sale and closure of businesses		23	(20)
Transaction costs	2	6	3
Finance income	4	(19)	(9)
Finance expense	4	111	111
Other financial (income)/expense	4	(13)	1
Share of profit after tax from joint ventures and associates	11	(109)	(79)
Amortisation		68	74
Depreciation (including of right-of-use assets)		802	823
Exceptional items	2	206	151
Acquired inventory fair value adjustments		5	3
Effect of hyperinflationary economies		16	7
Net change in the fair value of current biological assets		(8)	(12)
Share-based payment expense	24	19	17
Pension costs less contributions		7	4
Increase in inventories		(953)	(120)
Increase in receivables		(288)	(98)
Increase in payables		512	175
Purchases less sales of current biological assets		(4)	(1)
Increase/(decrease) in provisions		7	(40)
Cash generated from operations		1,457	1,711
Income taxes paid		(304)	(298)
Net cash generated from operating activities		1,153	1,413
Cash flow from investing activities			
Dividends received from joint ventures and associates	11	93	63
Purchase of property, plant and equipment		(680)	(551)
Purchase of intangibles		(89)	(76)
Lease incentives received		46	10
Sale of property, plant and equipment		30	21
Purchase of subsidiaries, joint ventures and associates		(154)	(57)
Sale of subsidiaries, joint ventures and associates		–	34
Purchase of other investments		(7)	(14)
Interest received	4	17	9
Net cash used in investing activities		(744)	(561)
Cash flow from financing activities			
Dividends paid to non-controlling interests		(8)	(4)
Dividends paid to equity shareholders	6	(380)	(49)
Interest paid		(114)	(116)
Repayment of lease liabilities	25	(321)	(290)
Decrease in short-term loans	25	(12)	(10)
Increase/(decrease) in long-term loans	25	178	(18)
Decrease/(increase) in current asset investments	25	30	(2)
Purchase of shares in subsidiary undertaking from non-controlling interests		–	(23)
Movement from changes in own shares held		(50)	–
Net cash used in financing activities		(677)	(512)
Net (decrease)/increase in cash and cash equivalents	25	(268)	340
Cash and cash equivalents at the beginning of the period		2,189	1,909
Effect of movements in foreign exchange		74	(60)
Cash and cash equivalents at the end of the period	25	1,995	2,189

Consolidated statement of changes in equity

for the 52 weeks ended 17 September 2022

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

Significant accounting policies

for the 52 weeks ended 17 September 2022

Associated British Foods plc is domiciled in the United Kingdom. The Company’s consolidated financial statements for the 52 weeks ended 17 September 2022 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 8 November 2022.

The directors prepared and approved the consolidated financial statements in accordance with UK Adopted IFRS.

The Company has elected to prepare the parent company financial statements under FRS 101. These are presented on pages 233 to 242.

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 177.

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 52 weeks ended 17 September 2022 (2021 – 53 weeks ended 18 September 2021).

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

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

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 103. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 60 to 63.

In addition, the Principal risks and uncertainties on pages 94 to 101 and note 26 on pages 204 to 215 provide details of the Group’s policy on managing its financial and commodity risks.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the TCFD disclosures set out on pages 83 to 93 and our sustainability targets. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group’s going concern assessment to February 2024 nor the viability of the Group over the next three years.

Management has considered the impact of climate change on a number of key estimates within the financial statements, including the estimates of future cash flows used in impairment assessments of the carrying value of goodwill and other non-current assets. The assessment with respect to the impact of climate change will be kept under review by management, as the future impacts depend on factors outside of the Group’s control, which are not all currently known.

Going concern

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

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

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

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

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

Significant accounting policies

for the 52 weeks ended 17 September 2022

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

In addition, the directors also considered the circumstances which would be needed to exhaust the Group’s total liquidity over the assessment period – a reverse stress test. This indicates that increasing inflation (rising energy costs and other inflationary cost pressures; and adverse foreign exchange impacts) combined with a global recession, reducing demand for goods, would need to exceed £2.4 billion more than the level forecasted by the Group, without any mitigating actions being taken before total liquidity is exhausted. The likelihood of these circumstances is considered remote for two reasons.

Firstly, over such a long period, management could take substantial mitigating actions, such as reviewing pricing, cost cutting measures and reducing capital investment. Secondly, the Group has significant business and asset diversification and would be able to, if it were necessary, dispose of assets and/or businesses to raise considerable levels of funds.

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 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 offsets deferred tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

Significant accounting policies

for the 52 weeks ended 17 September 2022

Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances, 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 and 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.

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 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 172. 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 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 may 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.

Where the Group is a lessee, the following accounting policy is 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 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 of whether 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 as incurred.

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 sublease/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.

Significant accounting policies

for the 52 weeks ended 17 September 2022

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 significant fair value uplift 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.

Hyperinflation

The Argentinian economy was designated hyperinflationary from 1 July 2018. In the current financial year, the Turkish economy was designated hyperinflationary from 1 July 2022.

The Group has applied IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Argentinian operations from the beginning of the 2019 financial year and for its Turkish operations from the beginning of the 2022 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, and for the Group’s Turkish operations this was 1 September 2021.

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, the comparative figures for 2021 for the Turkish operations have not been modified. 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 for Argentina published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (‘FACPCE’) and for Turkey published by Turkish Statistical Institute (‘TUIK’);
- 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 and Turkish operations have been translated into sterling at the closing exchange rate at 17 September 2022 (ARS 164.02:£1; TRL 20.89:£1); and
- the cumulative impact corresponding to previous years has been reflected in other comprehensive income in the year.

In Argentina, the FACPCE index was 510.3942 at 31 August 2021 and 911.1316 at 31 August 2022. The inflation index for the year is therefore 1.7852.

In Turkey, the TUIK index was 19.25 at 31 August 2021 and 80.21 at 31 August 2022. The inflation index for the year is therefore 4.167.

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

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

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

Accounting estimates and judgements

for the 52 weeks ended 17 September 2022

Significant accounting estimates

The preparation of the Group’s consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management’s best information about current circumstances and future events and actions, actual results may differ from those estimates.

The accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year are set out below.

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 (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 recovery 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. This involves a significant degree of estimation uncertainty.

When considering sources of future taxable profit, the Group firstly considers existing deferred tax liabilities. However, the majority of deferred tax assets are recognised based on future profit forecasts, including the deferred tax assets in the Group’s most material jurisdictions of the United Kingdom, the United States, Australia, Germany and Spain.

When relying on profit forecasts, the assessment of whether to recognise deferred tax assets is based on the following year’s budget and expectations of the future performance of individual businesses (or groups of businesses in the case of national tax groups). Where possible, this is consistent with forecasts used for impairment assessments. Forecasts for impairment assessments are discounted, but this is not permitted for recognition of deferred tax assets.

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

The widespread nature of the Group’s activities across multiple jurisdictions means that it is not practical to provide detailed sensitivities in respect of individual deferred tax assets.

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 valuations, assessed using assumptions determined with independent actuarial advice, resulted in a significant net surplus as at 17 September 2022, principally relating to the UK defined benefit scheme, which is separately disclosed.

The net surplus is highly sensitive to the market value of scheme assets, to discount rates used in assessing liabilities, to actuarial assumptions (including 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, including associated sensitivities.

Other areas of judgement and accounting estimates

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are set out below.

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 and associated sensitivities is disclosed in note 17.

Income tax

The Group is exposed to a range of uncertain tax positions. It provides for open tax matters, where it believes it is probable that payments will be required, including those for routine tax audits, which are by nature complex and may take a number of years to resolve. Uncertainty is driven by the resolution of the issue and estimation process in arriving at the amount. The Group has recognised potential current corporate tax liabilities for a number of uncertain tax positions, none of which are individually material. The provision for these uncertain tax positions was 2022 - £102m (2021 – £100m). The majority of these provisions relate to transfer pricing risks across a number of jurisdictions in which the Group has operations. Transfer pricing is a complex area with resolution of matters taking many years. Given the underlying nature of these risks, the timing of when they will resolve is uncertain.

The Group has applied IFRIC 23 *Uncertainty over Income Tax Treatments* to measure uncertain tax positions. The Group calculates each provision using management’s best estimate of the liability based on interpretation of tax law in each jurisdiction and ongoing monitoring of tax cases and rulings. The Group believes it has adequate provision for these matters. Final conclusion of each matter may result in an outcome different to any amounts provided, but the Group has concluded that this is unlikely to have a material impact.

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

1. Operating segments

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

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

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

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

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

The Group comprises the following operating segments:

Grocery

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

Sugar

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

Agriculture

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

Ingredients

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

Retail

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

Geographical information

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

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

	Revenue		Adjusted operating profit	
	2022 £m	2021 £m	2022 £m	2021 £m
Operating segments				
Grocery	3,735	3,593	399	413
Sugar	2,016	1,650	162	152
Agriculture	1,722	1,537	47	44
Ingredients	1,827	1,508	159	151
Retail	7,697	5,593	756	321
Central	–	–	(88)	(70)
	16,997	13,881	1,435	1,011
Businesses disposed				
Grocery	–	2	–	–
Ingredients	–	1	–	–
	16,997	13,884	1,435	1,011
Geographical information				
United Kingdom	6,378	4,982	533	293
Europe & Africa	6,291	4,944	482	302
The Americas	2,028	1,678	279	259
Asia Pacific	2,300	2,277	141	157
	16,997	13,881	1,435	1,011
Businesses disposed				
Asia Pacific	–	3	–	–
	16,997	13,884	1,435	1,011

2022

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

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

1. Operating segments *continued*

2021							
	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,594	1,714	1,539	1,687	5,593	(246)	13,881
Internal revenue	(1)	(64)	(2)	(179)	–	246	–
External revenue from continuing businesses	3,593	1,650	1,537	1,508	5,593	–	13,881
Businesses disposed	2	–	–	1	–	–	3
Revenue from external customers	3,595	1,650	1,537	1,509	5,593	–	13,884
Adjusted operating profit before joint ventures and associates	364	149	31	134	321	(70)	929
Share of profit after tax from joint ventures and associates	49	3	13	17	–	–	82
Adjusted operating profit	413	152	44	151	321	(70)	1,011
Finance income						9	9
Finance expense	(1)	(2)	–	(1)	(80)	(27)	(111)
Other financial expense						(1)	(1)
Adjusted profit before taxation	412	150	44	150	241	(89)	908
Profits less losses on disposal of non-current assets	2	1	–	1	–	–	4
Amortisation of non-operating intangibles	(41)	–	(2)	(7)	–	–	(50)
Acquired inventory fair value adjustments	(3)	–	–	–	–	–	(3)
Transaction costs	–	–	–	(2)	–	(1)	(3)
Exceptional items	–	(141)	–	–	(6)	(4)	(151)
Profits less losses on sale and closure of businesses	–	–	–	19	–	1	20
Profit before taxation	370	10	42	161	235	(93)	725
Taxation						(227)	(227)
Profit for the period	370	10	42	161	235	(320)	498
Segment assets (excluding joint ventures and associates)	2,541	1,776	441	1,480	6,919	154	13,311
Investments in joint ventures and associates	53	28	139	118	–	–	338
Segment assets	2,594	1,804	580	1,598	6,919	154	13,649
Cash and cash equivalents						2,275	2,275
Current asset investments						32	32
Income tax						81	81
Deferred tax assets						218	218
Employee benefits assets						640	640
Segment liabilities	(601)	(361)	(151)	(340)	(4,142)	(208)	(5,803)
Loans and overdrafts						(406)	(406)
Income tax						(172)	(172)
Deferred tax liabilities						(363)	(363)
Employee benefits liabilities						(147)	(147)
Net assets	1,993	1,443	429	1,258	2,777	2,104	10,004
Non-current asset additions	113	134	21	118	343	16	745
Depreciation (including of right-of-use assets)	(110)	(82)	(16)	(56)	(549)	(10)	(823)
Amortisation	(48)	(4)	(3)	(9)	(8)	(2)	(74)
Reversal of impairment of property, plant and equipment and right-of-use assets	–	–	–	10	–	–	10

2022					
	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	6,378	6,291	2,028	2,300	16,997
Segment assets	5,972	6,519	1,840	1,673	16,004
Non-current asset additions	285	487	177	103	1,052
Depreciation (including of right-of-use assets)	(277)	(392)	(69)	(64)	(802)
Amortisation	(25)	(32)	(5)	(6)	(68)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(30)	(30)
Acquired inventory fair value adjustments	(2)	(3)	–	–	(5)
Transaction costs	(2)	(3)	–	(1)	(6)
Exceptional items	–	(206)	–	–	(206)

2021					
	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	4,982	4,944	1,678	2,280	13,884
Segment assets	5,178	5,754	1,324	1,393	13,649
Non-current asset additions	200	382	74	89	745
Depreciation (including of right-of-use assets)	(288)	(406)	(62)	(67)	(823)
Amortisation	(35)	(26)	(7)	(6)	(74)
Reversal of impairment of property, plant and equipment on sale and closure of businesses	–	–	–	10	10
Acquired inventory fair value adjustments	–	(3)	–	–	(3)
Transaction costs	(2)	–	–	(1)	(3)
Exceptional items	(13)	(117)	–	(21)	(151)

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

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

All segment disclosures are stated before reclassification of assets and liabilities classified as held for sale (see note 15).

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

2. Operating costs

	Note	2022 £m	2021 £m
Operating costs			
Cost of sales (including amortisation of intangibles)		13,219	10,753
Distribution costs		1,465	1,303
Administration expenses		1,045	952
Exceptional items		206	151
		15,935	13,159
Operating costs are stated after charging/(crediting):			
Employee benefits expense	3	2,812	2,639
Amortisation of non-operating intangibles	8	44	48
Amortisation of operating intangibles	8	24	26
Acquired inventory fair value adjustments		5	3
Profits less losses on disposal of non-current assets		(7)	(4)
Depreciation of property, plant and equipment	9	521	535
Depreciation of right-of-use assets and non-cash lease adjustments	10	281	288
Transaction costs		6	3
Effect of hyperinflationary economies		16	7
Other operating income		(25)	(23)
Research and development expenditure		37	34
Fair value gains on financial assets and liabilities held for trading		(23)	(15)
Fair value losses on financial assets and liabilities held for trading		17	12
Foreign exchange gains on operating activities		(36)	(31)
Foreign exchange losses on operating activities		37	33

Transaction costs of £6m and amortisation of non-operating intangibles of £47m (2021 – £3m and £50m) shown as adjusting items in the income statement, include £nil and £3m respectively (2021 – £nil and £2m respectively) incurred by joint ventures, in addition to the amounts shown above.

Exceptional items

2022

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

2021

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

	2022 £m	2021 £m
Auditor's remuneration		
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	1.6	1.4
Audit of the Company's subsidiaries' financial statements	7.6	7.0
Total audit remuneration	9.2	8.4

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	0.5	0.3
Total non-audit related remuneration	0.9	0.7

3. Employees

	2022	2021
Average number of employees		
United Kingdom	41,526	42,696
Europe & Africa	73,155	67,681
The Americas	6,102	6,081
Asia Pacific	11,490	11,454
	132,273	127,912

	Note	2022 £m	2021 £m
Employee benefits expense			
Wages and salaries		2,350	2,209
Social security contributions		311	282
Contributions to defined contribution schemes	12	87	81
Charge for defined benefit schemes	12	45	50
Equity-settled share-based payment schemes	24	19	17
		2,812	2,639

Details of directors' remuneration, share incentives and pension entitlements are shown in the Remuneration Report on pages 126 to 153.

4. Interest and other financial income and expense

	Note	2022 £m	2021 £m
Finance income			
Cash and cash equivalents and curret asset investments		19	9
		19	9
Finance expense			
Bank loans and overdrafts		(20)	(16)
All other borrowings		(8)	(10)
Lease liabilities	10	(81)	(84)
Other payables		(2)	(1)
		(111)	(111)
Other financial income/(expense)			
Interest income on employee benefit scheme assets	12	84	69
Interest charge on employee benefit scheme liabilities	12	(74)	(69)
Interest charge on irrecoverable surplus	12	(1)	(1)
Net financial income/(expense) from employee benefit schemes		9	(1)
Net foreign exchange gains on financing activities		4	–
Total other financial income/(expense)		13	(1)

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

5. Income tax expense

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

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

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

Deferred taxation balances are analysed in note 13.

6. Dividends

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

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

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

7. Earnings per share

The calculation of basic earnings per share at 17 September 2022 was based on the net profit attributable to equity shareholders of £700m (2021 – £478m), and a weighted average number of shares outstanding during the year of 789 million (2021 – 790 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Ownership Plan Trust on which the dividends are being waived.

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

Transaction costs of £6m and amortisation of non-operating intangibles of £47m (2021 – £3m and £50m) shown as adjusting items below include £nil and £3m respectively (2021 – £nil and £2m 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 789 million (2021 – 790 million). There is no difference between basic and diluted earnings.

	2022 £m	2021 £m
Adjusted profit for the period	1,034	633
Disposal of non-current assets	7	4
Sale and closure of businesses	(23)	20
Acquired inventory fair value adjustments	(5)	(3)
Transaction costs	(6)	(3)
Exceptional items	(206)	(151)
Tax effect on above adjustments	(63)	23
Amortisation of non-operating intangibles	(47)	(50)
Tax credit on non-operating intangibles amortisation and goodwill	9	5
Profit for the period attributable to equity shareholders	700	478
	2022 pence	2021 pence
Adjusted earnings per share	131.1	80.1
Disposal of non-current assets	0.9	0.5
Sale and closure of businesses	(2.9)	2.5
Acquired inventory fair value adjustments	(0.6)	(0.4)
Transaction costs	(0.8)	(0.4)
Exceptional items	(26.1)	(19.1)
Tax effect on above adjustments	(8.0)	3.0
Amortisation of non-operating intangibles	(6.0)	(6.3)
Tax credit on non-operating intangibles amortisation and goodwill	1.0	0.6
Earnings per ordinary share	88.6	60.5

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

8. Intangible assets

	Goodwill £m	Non-operating					Operating	
		Technology £m	Brands £m	Customer relationships £m	Grower agreements £m	Other £m	Other £m	Total £m
Cost								
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
Acquisitions – externally purchased	–	–	–	–	–	–	138	138
Acquired through business combinations	85	49	33	6	–	–	–	173
Other disposals	–	–	–	–	–	–	(49)	(49)
Transfer to assets classified as held for sale	–	–	–	–	–	–	(16)	(16)
Effect of hyperinflationary economies	9	–	–	–	–	–	–	9
Effect of movements in foreign exchange	84	22	26	13	1	–	33	179
At 17 September 2022	1,414	285	488	290	110	5	697	3,289

Amortisation and impairment

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
Amortisation for the year	–	7	22	15	–	–	24	68
Other disposals	–	–	–	–	–	–	(1)	(1)
Transfer to assets classified as held for sale	–	–	–	–	–	–	(4)	(4)
Effect of movements in foreign exchange	10	19	21	11	1	–	22	84
At 17 September 2022	122	221	415	226	110	5	322	1,421

Net book value

At 12 September 2020	1,166	6	78	99	–	–	280	1,629
At 18 September 2021	1,124	19	57	71	–	–	310	1,581
At 17 September 2022	1,292	64	73	64	–	–	375	1,868

In addition to the amounts disclosed above, there are £12m (2021 – £nil) intangible assets classified as assets held for sale (see note 15).

Amortisation of non-operating intangibles of £47m (2021 – £50m) shown as an adjusting item in the income statement includes £3m (2021 – £2m) incurred by joint ventures in addition to the amounts shown above.

Impairment

As at 17 September 2022, the consolidated balance sheet included goodwill of £1,292m (2021 – £1,124m). 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	2022 £m	2021 £m
Acetum	Grocery	12.3%	93	90
ACH	Grocery	13.0%	208	174
AB Mauri	Ingredients	16.2%	289	267
Twinings Ovaltine	Grocery	12.2%	119	119
Illovo	Sugar	23.4%	105	104
AB World Foods	Grocery	12.4%	79	78
Other (not individually significant)	Various	Various	399	292
			1,292	1,124

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.

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. Inflation assumptions used to calculate discount rates are aligned with those used in the cash flow projections. The rates used were between 9.8% and 23.4% (2021 – between 9.8% and 25.7%).

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 6.7%, consistent with the inflation factors included in the discount rates applied (2021 – between 0% and 8.3%).

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 lower than the prior year and profitability has been impacted by the challenges of passing on high levels of input cost inflation to customers, including in hyperinflationary economies (Argentina and Turkey), compounded by competitive pricing pressures in some of its businesses and currency devaluations. Estimation uncertainty is increased as a result of the multiple locations the AB Mauri division operates in, the macroeconomic challenges described above, the continued development of new products and any residual impact of COVID-19. 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. The moderate forecast improvement has been driven off successful pricing actions in response to significant global input cost inflation across key commodities, energy and freight in addition to a number of cost reduction actions, and continued growth in the global bakery ingredients business. However, the increase in the discount rate significantly reduced overall headroom. Headroom was \$72m on a CGU carrying value of \$1,044m (2021 – headroom of \$232m on a CGU carrying value of \$1,003m). 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 16.2% (2021 – 14.1%) and would have to increase to more than 18.0% (2021 – 16.3%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2–3% (2021 – 2–3%) per annum dependent on location.

In light of the supply side inflationary pressures combined with the cost of living crisis faced by our UK Grocery business management performed a detailed impairment review of Jordans Dorset Ryvita, and concluded no impairment was deemed necessary. Key drivers of the forecast improvement in performance include achievement of price increases in high inflation environments, strategic initiatives in the UK and US markets, implementation of a number of margin improvement initiatives, particularly in cost reduction, and conservative volume elasticity estimations. Headroom was £26m on a CGU carrying value of £147m (2021 – headroom of £47m on a CGU carrying value at £164m). The discount rate used was 12.0% and would have to increase to more than 13.5% before value in use fell below the CGU carrying value.

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

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 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
Acquisitions – externally purchased	32	76	203	421	11	743
Acquired through business combinations	1	4	1	–	–	6
Other disposals	(14)	(3)	(17)	–	(4)	(38)
Transfers from assets under construction	33	164	96	(293)	–	–
Transfer (to)/from assets classified as held for sale	(32)	(53)	(2)	–	–	(87)
Effect of movements in foreign exchange	98	223	119	37	6	483
At 17 September 2022	2,825	4,419	4,419	605	105	12,373

Depreciation and impairment

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
Depreciation for the year	47	174	290	–	10	521
Impairment	–	–	72	–	–	72
Impairment on sale and closure of business	11	19	–	–	–	30
Other disposals	(1)	–	(17)	–	(4)	(22)
Transfer (to)/from assets classified as held for sale	(17)	(60)	(2)	–	–	(79)
Effect of movements in foreign exchange	35	160	74	–	3	272
At 17 September 2022	834	3,120	2,760	–	60	6,774
Net book value						
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
At 17 September 2022	1,991	1,299	1,659	605	45	5,599

	2022	2021
	£m	£m
Capital expenditure commitments – contracted but not provided for	364	307

In addition to the amounts disclosed above, there are £18m (2021 – £10m) of property, plant and equipment classified as assets held for sale (see note 15). Of this, £18m (2021 – £3m) 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.

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\$46m on a CGU carrying value of A\$302m (2021 – headroom of A\$63m on a CGU carrying value of A\$292m). The discount rate used was 11.9% (2021 – 8.5%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2021 –2.0%) per annum. A sensitivity of +/- 1% on the discount rate decreases/increases headroom by A\$53m either way (2021 – A\$51m either way respectively).

The income statement this year included an exceptional charge of £206m comprising non-cash writedowns of £72m against property plant and equipment and a writedown of £134m of right-of-use assets relating to the capitalisation of Primark Germany store leases. We first entered the German market in 2009 and achieved very high sales densities in our early stores. We then opened stores in many city centres with a retail selling space much larger than the average for the rest of the Primark estate. However, sales densities declined in the later years up to the 2019 financial year and, weaker trading in the second half of this financial year, particularly in Germany, has made it very unlikely that sales densities will recover to pre-COVID levels. In addition, Germany is a high cost to serve market for retailers. As a consequence, the future cashflows in our revised store forecast for Germany at the financial year end requires us to recognise an impairment which has been treated as exceptional in these financial statements. The impairment models assume that sales densities will decline for years 2 to 5 of these cashflows. Estimates of long-term growth rates beyond the forecast periods were 2% per annum. Key assumptions were revenue growth, sales density projections, assumptions on operating costs, margin and discount rates. The discount rate used was 8.05%.

Notes forming part of the financial statements

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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				
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
Additions	161	10	–	171
Lease incentives	(46)	–	–	(46)
Acquired through business combinations	8	–	–	8
Other disposals	(1)	(1)	(1)	(3)
Other movements	12	2	–	14
Effect of movements in foreign exchange	107	2	–	109
At 17 September 2022	3,502	76	1	3,579

Depreciation and impairment

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
Depreciation for the year	263	18	–	281
Impairment	134	–	–	134
Other disposals	(1)	(1)	(1)	(3)
Effect of movements in foreign exchange	33	1	–	34
At 17 September 2022	1,073	50	–	1,123

Net book value

At 12 September 2020	2,960	30	–	2,990
At 18 September 2021	2,617	31	1	2,649
At 17 September 2022	2,429	26	1	2,456

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 a £134m (2021 - £nil) impairment of right-of-use assets relating to Primark (included within exceptional items).

Lease liabilities

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
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 liabilities	(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
Additions	161	9	–	170
Interest expense relating to lease liabilities	80	1	–	81
Repayment of lease liabilities	(385)	(18)	–	(403)
Acquisition of businesses	8	–	–	8
Other movements	14	2	–	16
Effect of movements in foreign exchange	97	1	–	98
At 17 September 2022	3,237	29	–	3,266

	2022 £m	2021 £m
Current	330	304
Non-current	2,936	2,992
	3,266	3,296

Lease liabilities comprise £3,252m (2021 – £3,281m) capital payable and £14m (2021 – £15m) interest payable. The interest payable is all current and disclosed within trade and other payables. Repayments comprise £321m (2021 – £290m) capital and £82m (2021 – £84m) interest.

Other information relating to leases

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

	2022 £m	2021 £m
Land and buildings	–	1
Plant and machinery	2	1
Fixtures and fittings	1	2
	3	4

The Group expensed £1m (2021 – £1m) of variable lease payments that do not form part of the lease liability. Cash outflows of £4m (2021 – £2m) that do not form part of the lease liability are expected to be made in the next 12 months.

Rental receipts of £4m (2021 – £6m) were recognised relating to operating leases. The total of future minimum rental receipts expected to be received is £36m (2021 – £45m). £11m (2021 – £17m) 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 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
Acquisitions	4	–
Profit for the period	90	19
Dividends received	(88)	(5)
Effect of movements in foreign exchange	17	11
At 17 September 2022	301	85

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Non-current assets	202	160	46	38
Current assets	641	441	427	302
Current liabilities	(475)	(285)	(386)	(278)
Non-current liabilities	(87)	(57)	(3)	(3)
Goodwill	20	19	1	1
Net assets	301	278	85	60
Revenue	2,165	1,566	1,313	914
Profit for the period	90	66	19	13

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

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 90% (2021 – 91%) of the Group’s defined benefit scheme assets and 86% (2021 – 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 74% of inflation sensitivity and 53% 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.

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 £42m in the UK and £45m overseas, totalling £87m (2021 – UK £40m, overseas £41m, totalling £81m).

Actuarial assumptions

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

	2022 UK %	2022 Overseas %	2021 UK %	2021 Overseas %
Discount rate	4.6	0.9-13.5	1.8	0-14.1
Inflation	2.6-3.4	0-55.0	2.6-3.4	0-12.4
Rate of increase in salaries	3.7-4.3	0-40.0	3.7-4.3	0-12.0
Rate of increase for pensions in payment	1.9-3.2	0-40.0	2.1-3.2	0-12.0
Rate of increase for pensions in deferment (where provided)	2.5-2.8	0-2.3	2.5-2.7	0-2.0

Discount rates are determined by reference to market yields at the balance sheet date on high-quality corporate bonds consistent with the estimated term of the obligations. This has been done in conjunction with independent actuaries in each jurisdiction.

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 2022 are derived from the S3 mortality tables with improvements in line with the 2020 projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession (2021 – S3 mortality tables with improvements in line with the 2019 projection model), with a 0-year rating movement for males and females (2021 – 0-year rating movement for males and females), both with a long-term trend of 1.5% (2021 – 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:

	2022		2021	
Life expectancy from age 65 (in years)	Male	Female	Male	Female
Member aged 65 in 2022 (2021)	22.1	24.3	22.1	24.3
Member aged 65 in 2042 (2041)	23.7	26.1	23.7	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 17 September 2022 is:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.1%	increase/decrease by 1.5%
Inflation	increase/decrease by 0.1%	increase by 0.9%/decrease by 1.2%
Rate of real increase in salaries	increase/decrease by 0.1%	increase/decrease by 0.3%
	members assumed to be one year younger/older	
Rate of mortality		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

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Equities	1,135	188	1,323	1,246	194	1,440
Government bonds	308	92	400	840	86	926
Corporate and other bonds	767	47	814	812	49	861
Property	398	37	435	360	29	389
Cash and other assets	1,126	53	1,179	1,057	55	1,112
Scheme assets	3,734	417	4,151	4,315	413	4,728
Scheme liabilities	(2,390)	(405)	(2,795)	(3,719)	(490)	(4,209)
Aggregate net surplus/(deficit)	1,344	12	1,356	596	(77)	519
Irrecoverable surplus*	–	(42)	(42)	–	(26)	(26)
Net pension asset/(liability)	1,344	(30)	1,314	596	(103)	493
Analysed as						
Schemes in surplus	1,366	27	1,393	633	7	640
Schemes in deficit	(22)	(57)	(79)	(37)	(110)	(147)
	1,344	(30)	1,314	596	(103)	493
Unfunded liability included in the present value of scheme liabilities above	(22)	(52)	(74)	(37)	(66)	(103)

* 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 £50m (2021 – £345m) of derivative instruments, £441m (2021 – £482m) of corporate debt instruments and £861m (2021 – £1,394m) of government debt.

Corporate and other bonds assets of £767m (2021 – £812m) include £248m (2021 – £225m) 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 £820m (2021 – £697m) of assets whose valuation is not derived from quoted market prices.

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

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 24% (2021 – 26%) in respect of active participants, 20% (2021 – 23%) for deferred participants and 56% (2021 – 51%) for pensioners.

The weighted average duration of the defined benefit scheme liabilities at the end of the year is 15 years for both UK and overseas schemes (2021 – 17 years for both UK and overseas schemes).

Income statement

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

	2022 £m	2021 £m
Charged to operating profit:		
Defined benefit schemes		
Current service cost	(45)	(46)
Past service cost	–	(4)
Defined contribution schemes	(87)	(81)
Total operating cost	(132)	(131)
Reported in other financial income/(expense):		
Net interest income on the net pension asset	10	–
Interest charge on irrecoverable surplus	(1)	(1)
Net impact on profit before tax	(123)	(132)

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £36m (2021 – £39m) and benefits paid in respect of unfunded schemes of £2m (2021 – £3m). Contributions to funded defined benefit schemes are subject to periodic review. Contributions to defined contribution schemes amounted to £87m (2021 – £81m).

Total contributions to funded schemes and benefit payments by the Group in respect of unfunded schemes in 2023 are currently expected to be approximately £29m in the UK and £10m overseas, totalling £39m (2021 – UK £30m, overseas £10m, totalling £40m).

Other comprehensive income

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

	2022 £m	2021 £m
Return on scheme assets excluding amounts included in net interest in the income statement	(582)	664
Actuarial gains/(losses) arising from changes in financial assumptions	1,440	(101)
Actuarial gains/(losses) arising from changes in demographic assumptions	11	(4)
Experience (losses)/gains on scheme liabilities	(38)	12
Change in unrecognised surplus	(10)	(12)
Remeasurements of the net pension asset	821	559

Reconciliation of change in assets and liabilities

	2022 assets £m	2021 assets £m	2022 liabilities £m	2021 liabilities £m	2022 net £m	2021 net £m
At beginning of year	4,728	4,153	(4,209)	(4,206)	519	(53)
Current service cost	–	–	(45)	(46)	(45)	(46)
Employee contributions	8	7	(8)	(7)	–	–
Employer contributions	36	39	–	–	36	39
Benefit payments	(154)	(179)	156	182	2	3
Past service cost	–	–	–	(4)	–	(4)
Interest income/(expense)	84	69	(74)	(69)	10	–
(Loss)/return on scheme assets less interest income	(582)	664	–	–	(582)	664
Actuarial gains/(losses) arising from changes in financial assumptions	–	–	1,440	(101)	1,440	(101)
Actuarial gains/(losses) arising from changes in demographic assumptions	–	–	11	(4)	11	(4)
Experience (losses)/gains on scheme liabilities	–	–	(38)	12	(38)	12
Effect of movements in foreign exchange	31	(25)	(28)	34	3	9
At end of year	4,151	4,728	(2,795)	(4,209)	1,356	519

Reconciliation of change in irrecoverable surplus

	2022 £m	2021 £m
At beginning of year	(26)	(13)
Change recognised in other comprehensive income	(10)	(12)
Interest charge on irrecoverable surplus	(1)	(1)
Effect of movements in foreign exchange	(5)	–
At end of year	(42)	(26)

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 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 the 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
Amount credited to the income statement	34	(5)	27	1	–	13	8	78
Amount credited to equity	–	–	–	154	28	2	–	184
Acquired through business combinations	–	22	–	–	–	2	–	24
Effect of changes in tax rates on the income statement	2	–	–	–	–	–	–	2
Effect of changes in tax rates on equity	–	–	–	44	–	–	–	44
Effect of hyperinflationary economies taken to operating profit	3	–	–	–	–	–	–	3
Transfer to assets/liabilities held for sale	5	–	–	–	–	–	–	5
Effect of movements in foreign exchange	6	10	(4)	–	–	(8)	–	4
At 17 September 2022	187	117	(78)	324	40	(75)	(26)	489

Provisions and other temporary differences include provisions of £(93)m (2021 – £(93)m), biological assets of £32m (2021 – £29m), tax credits of £(16)m (2021 – £(15)m) and other temporary differences of £2m (2021 – £(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:

	2022 £m	2021 £m
Deferred tax assets	(158)	(218)
Deferred tax liabilities	647	363
	489	145

In addition to the amounts disclosed above, there are £5m (2021 – £nil) deferred tax assets classified as assets held for sale (see note 15).

Deferred tax assets have not been recognised in respect of tax losses of £348m (2021 – £310m). Of these tax losses, £188m (2021 – £170m) will expire at various dates between 2022 and 2027 (2021 – 2021 and 2026). Deferred tax assets have also not been recognised in respect of other temporary differences of £516m (2021 – £107m). This includes £378m (2021 – £nil) relating to property, plant and equipment and leases in Germany which were derecognised during the year as a result of the impairment charge (see notes 9 and 10 for further details). These deferred tax assets have not been recognised on the basis that their future economic benefit is uncertain.

In addition, the Group’s overseas subsidiaries have net unremitted earnings of £2,029m (2021 – £2,537m), resulting in temporary differences of £1,495m (2021 – £1,167m). 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

	2022 £m	2021 £m
Non-current – other receivables		
Loans and receivables	29	32
Other non-current investments	29	23
	58	55
Current – trade and other receivables		
Trade receivables	1,311	1,021
Other receivables	218	178
Accrued income	35	16
	1,564	1,215
Prepayments and other non-financial receivables	194	152
	1,758	1,367

In addition to the amounts disclosed above, there are £3m (2021 – £nil) trade and other receivables 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 £29m (2021 – £32m) in respect of finance lease receivables, with £25m in non-current loans and receivables and £4m in current other receivables (2021 – £28m in non-current loans and receivables and £4m in current other receivables). Minimum lease payments receivable are £4m within one year, £16m between one and five years and £9m in more than five years (2021 – £4m within one year, £17m between one and five years and £11m 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

The Group currently expects to dispose of its north China sugar business, subject to competition and administrative requirements. In the prior year, held for sale assets and liabilities related to a Chinese yeast business expected to be sold to a Chinese joint venture.

	2022 £m	2021 £m
Assets classified as held for sale		
Intangible assets	12	–
Property, plant and equipment	18	10
Inventories	7	3
Taxation	5	–
Trade and other receivables	3	–
	45	13
Liabilities classified as held for sale		
Trade and other payables	(14)	–
	(14)	–
	31	13

16. Inventories

	2022 £m	2021 £m
Raw materials and consumables	607	411
Work in progress	70	55
Finished goods and goods held for resale	2,582	1,685
	3,259	2,151
Write-down of inventories	(115)	(95)

In addition to the amounts disclosed above, there are £7m (2021 – £3m) of inventories classified as assets held for sale (see note 15).

17. Biological assets

	Growing cane £m	Other £m	Total £m
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
Transferred to inventory	(113)	(13)	(126)
Purchases	–	5	5
Other disposals	–	(1)	(1)
Changes in fair value	124	10	134
Effect of movements in foreign exchange	7	1	8
At 17 September 2022	97	8	105

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 17 September 2022:

	South Africa	Malawi	Zambia	Eswatini	Tanzania	Mozambique
Expected area to harvest (hectares)	6,028	19,207	16,163	8,419	9,612	5,802
Estimated yield (tonnes cane/hectare)	67.9	103.7	115.9	99.5	72.6	71.0
Average maturity of growing cane	47.6%	67.4%	65.7%	67.7%	46.2%	72.4%

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%

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

	2022		2021	
	+1% £m	-1% £m	+1% £m	-1% £m
Estimated sucrose content	1.2	(1.2)	1.1	(1.1)
Estimated sucrose price	1.4	(1.4)	1.4	(1.4)

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18. Cash and cash equivalents

	Note	2022 £m	2021 £m
Cash			
Cash at bank and in hand		674	759
Cash equivalents		1,447	1,516
Cash and cash equivalents	26	2,121	2,275
Reconciliation to the cash flow statement			
Bank overdrafts	19	(126)	(86)
Cash and cash equivalents in the cash flow statement		1,995	2,189
Cash and cash equivalents on the face of the balance sheet		2,121	2,275
		2,121	2,275

Cash at bank and in hand generally earns interest at rates based on the applicable 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.

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

19. Loans and overdrafts

	Note	2022 £m	2021 £m
Current loans and overdrafts			
Secured loans		1	–
Unsecured loans and overdrafts		156	330
		157	330
Non-current loans			
Secured loans		–	1
Unsecured loans		480	75
		480	76
	26	637	406
	Note	2022 £m	2021 £m
Secured loans			
• Other floating rate		1	1
Unsecured loans and overdrafts			
• Bank overdrafts	18	126	86
• GBP fixed rate		390	80
• USD floating rate		8	3
• USD fixed rate		87	217
• EUR floating rate		2	7
• Other floating rate		13	7
• Other fixed rate		10	5
	26	637	406

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

	2022 £m	2021 £m
Trade payables	1,362	938
Accruals	1,275	997
	2,637	1,935
Deferred income and other non-financial payables	477	451
	3,114	2,386

In addition to the amounts disclosed above, there are £14m trade and other payables (2021 – £nil) 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 £45m (2021 – £27m).

21. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 18 September 2021	52	14	36	102
Created	31	14	16	61
Utilised	(16)	(9)	(7)	(32)
Released	(13)	–	(9)	(22)
Effect of movements in foreign exchange	1	1	2	4
At 17 September 2022	55	20	38	113
Current	49	16	22	87
Non-current	6	4	16	26
	55	20	38	113

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.

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22. Share capital and reserves

Share capital

At 18 September 2021 and 17 September 2022, the Company’s issued and fully paid share capital comprised 791,674,183 ordinary shares of 5¹⁵/₂₂p, 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. £2m arose in 2010 as a transfer to capital redemption reserve following redemption of two million £1 deferred shares at par. The remaining £3m comprises a £4m unrealised gain on investments held at fair value through other comprehensive income, net of £1m deferred tax. All are regarded as 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.

23. Acquisitions and disposals

Acquisitions

2022

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

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

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

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

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

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

2021

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

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

Disposals

2022

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

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

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

2021

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

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

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

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24. Share-based payments

The annual charge in the income statement for equity-settled share-based payments schemes was £19m (2021 – £17m). 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 126 to 153.

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
2022	5,419,237	2,445,814	(718,185)	(1,056,861)	6,090,005
2021	5,030,360	2,498,918	(440,870)	(1,669,171)	5,419,237

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 17 September 2022 the Trust held 3,042,132 (2020 – 1,347,089) ordinary shares of the Company. The market value of these shares at the year end was £40m (2021 – £25m). The Trust has waived its right to dividends. Movements in the year were a release of 718,185 shares and the purchase of 2,413,228 shares (2021 – release of 440,870 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 1,837p (2021 – 1,879p) and the weighted average share price was 1,975p (2021 – 2,021p). The dividend yield used was 2.5% (2021 – 2.5%).

25. Analysis of net debt

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

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

Cash and cash equivalents comprise bank and cash balances, deposits and short-term investments with original maturities of three months or less. £126m (2021 – £86m) of bank overdrafts that are repayable on demand form part of the Group’s cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement (see note 18 for a reconciliation).

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

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

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

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

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

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for the 52 weeks ended 17 September 2022

26. Financial instruments

Financial instruments include £3m (2021 – £nil) of trade and other receivables and £14m (2021 – £nil) 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

	2022 £m	2021 £m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	2,121	2,275
Current asset investments	4	32
Trade and other receivables	1,567	1,215
Other non-current receivables	29	32
At fair value through other comprehensive income		
Investments	29	23
At fair value through profit or loss		
Derivative assets not designated in a cash flow hedging relationship:		
• currency derivatives (excluding cross-currency swaps)	50	9
• commodity derivatives	3	–
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
• currency derivatives (excluding cross-currency swaps)	70	22
• cross-currency swaps	29	44
• commodity derivatives	323	49
Total financial assets	4,225	3,701
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(2,651)	(1,935)
Secured loans	(1)	(1)
Unsecured loans and overdrafts (fair value 2022 – £571m; 2021 – £417m)	(636)	(405)
Lease liabilities (fair value 2022 – £3,471m; 2021 – £3,293m)	(3,252)	(3,281)
Deferred consideration	(20)	(14)
At fair value through profit or loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
• currency derivatives (excluding cross-currency swaps)	(5)	(1)
• commodity derivatives	(3)	–
Designated net investment hedging relationships		
Derivative liabilities designated as net investment hedging instruments:		
• cross-currency swaps	(7)	(12)
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
• currency derivatives (excluding cross-currency swaps)	(17)	(5)
• interest derivatives	(3)	–
• commodity derivatives	(170)	(16)
Total financial liabilities	(6,765)	(5,670)
Net financial liabilities	(2,540)	(1,969)

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.

	2022				2021			
	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)	2,193	–	120	120	1,360	–	31	31
Cross-currency swaps	94	–	29	29	228	–	44	44
Commodity derivatives	439	3	323	326	188	4	45	49
	2,726	3	472	475	1,776	4	120	124
Financial liabilities								
Currency derivatives (excluding cross-currency swaps)	921	–	(22)	(22)	702	–	(6)	(6)
Cross-currency swaps	68	–	(7)	(7)	196	–	(12)	(12)
Interest-rate swaps	400	–	(3)	(3)	–	–	–	–
Commodity derivatives	366	–	(173)	(173)	166	(1)	(15)	(16)
	1,755	–	(205)	(205)	1,064	(1)	(33)	(34)

Notes forming part of the financial statements

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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.

	2022					2021				
	Currency derivatives (excluding cross-currency) £m	Cross-currency swaps £m	Interest derivatives £m	Commodity derivatives £m	Total £m	Currency derivatives (excluding cross-currency) £m	Cross-currency swaps £m	Interest derivatives £m	Commodity derivatives £m	Total £m
Opening balance	(14)	(1)	–	(28)	(43)	6	(1)	–	2	7
(Gains)/losses recognised in the hedging reserve	(295)	(20)	3	(234)	(546)	3	16	–	(55)	(36)
Amount removed from the hedging reserve and included in the income statement:										
• revenue	5	–	–	(4)	1	8	–	–	(4)	4
• cost of sales	–	–	–	105	105	–	–	–	9	9
• other financial expense/ (income)	–	21	–	–	21	–	(16)	–	–	(16)
Amount removed from the hedging reserve and included in a non-financial asset:										
• inventory	258	–	–	22	280	(37)	–	–	12	(25)
Deferred tax	5	–	(1)	24	28	6	–	–	8	14
Closing balance	(41)	–	2	(115)	(154)	(14)	(1)	–	(28)	(43)
Cash flows are expected to occur:										
• within six months	(36)	–	2	(105)	(139)	(9)	–	–	(25)	(34)
• between six months and one year	(6)	–	–	(10)	(16)	(4)	–	–	(2)	(6)
• between one and two years	1	–	–	–	1	(1)	–	–	(1)	(2)
• between two and five years	–	–	–	–	–	–	(1)	–	–	(1)
	(41)	–	2	(115)	(154)	(14)	(1)	–	(28)	(43)

Of the closing balance of £(154)m, £(154)m is attributable to equity shareholders and £nil to non-controlling interests (2021 – £(43)m, £(43)m attributable to equity shareholders and £nil to non-controlling interests). Of the net movement in the year of £(111)m, £(111)m is attributable to equity shareholders and £nil to non-controlling interests (2021 – £(50)m, £(50)m attributable to equity shareholders and £nil 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 £1m (2021 – £(1)m).

The balance in the cost of hedging reserve was not significant at 18 September 2021 or 17 September 2022.

d) Financial risk identification and management

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

- market risk; and
- credit 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. Risk management teams have been established 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 activities 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.

The Group finances its operations using own funds generated in the functional currency of its operations and where appropriate, by borrowing locally in the same functional currency. 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 (2021 – 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 (2021 – £nil) 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 £1m has been debited to the translation reserve, all of which was attributable to equity shareholders (2021 – £14m has been credited to the translation reserve).

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 sugar raws, energy, wheat, edible oils, soya beans, tea, lean hog, cocoa and rice 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.

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26. Financial instruments continued

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 £62m (2021 – £24m) and £(57)m (2021 – £(24)m), 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 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 manage its mix of fixed and floating rate debt, cash and investments so that a significant change in interest rates does not have a material negative impact on the Group’s cash flows.

At 17 September 2022, £487m (76%) (2021 - £303m and 75%) of total debt was subject to fixed rates of interest, the majority of which is the 2034 public bond. Floating rate debt comprises other bank borrowings bearing interest rates for various time periods up to 12 months, by reference to the relevant market rate for the currency and location of the borrowing.

The Group’s cash and cash equivalents and current asset investments are subject to floating rates of interest, typically fixed for periods up to 3 months by reference to the relevant market rate for the currency of the cash placing or investment.

£400m of 12-month sterling interest rate swaps have been entered into so that the floating interest rate received on an equivalent balance of the Group’s cash and cash equivalents is fixed for the 12-month period to August 2023.

(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 207.

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.

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:

- sourcing for Primark – costs are denominated in a number of currencies, predominantly sterling, euros and US dollars.
- sugar sales in British Sugar to movements in the sterling/euro exchange rate.

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.

	2022					
	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 hedged item used to determine hedge effectiveness £m
Current						
Designated cash flow hedging relationships:						
• currency derivatives (excluding cross-currency swaps)	2,102	54	Sep 23	100%	54	(54)
• commodity derivatives	739	152	Aug 23	100%	152	(152)
• interest rate swap	400	(3)	Aug 23	100%	(3)	3
Non-current						
Designated cash flow hedging relationships:						
• currency derivatives (excluding cross-currency swaps)	32	(1)	Sep 24	100%	(1)	1
• cross-currency swaps	94	29	Mar 24	100%	14	(14)
• commodity derivatives	20	1	Jan 24	100%	1	(1)
Designated net investment hedging relationships:						
• currency derivatives (cross-currency swaps)	68	(7)	Mar 24	100%	(3)	3

	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 hedged 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)

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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 17 September 2022, £2,134m of forward foreign currency contracts designated as cash flow hedges were outstanding (2021 – £1,401m), largely in relation to purchases of USD (£1,453m) and sales of EUR (£214m) with varying maturities up to September 2024. Weighted average hedge rates for these contracts are GBPUSD: 1.21, EURUSD: 1.04 and GBPEUR: 1.16. 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 2024.

The analysis of the Group’s foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

	2022				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	1	78	10	38	127
Trade and other receivables	–	55	54	24	133
	1	133	64	62	260
Financial liabilities					
Trade and other payables	(29)	(512)	(38)	(17)	(596)
Unsecured loans and overdrafts	–	(90)	–	–	(90)
	(29)	(602)	(38)	(17)	(686)
Currency derivatives					
Gross amounts receivable	93	2,143	98	256	2,590
Gross amounts payable	(2)	(202)	(428)	(57)	(689)
	91	1,941	(330)	199	1,901
	63	1,472	(304)	244	1,475
	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

The following major exchange rates applied during the year:

	Average rate		Closing rate	
	2022	2021	2022	2021
US dollar	1.29	1.37	1.14	1.38
Euro	1.18	1.14	1.14	1.17
Australian dollar	1.80	1.82	1.70	1.89

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

	2022 impact on profit for the period £m	2022 impact on total equity £m	2021 impact on profit for the period £m	2021 impact on total equity £m
10% strengthening against other currencies of				
Sterling	–	6	–	5
US dollar	19	172	(2)	87
Euro	(19)	(41)	12	(24)
Other	16	22	12	24

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.

	2022 impact on profit for the period £m	2021 impact on profit for the period £m
10% strengthening of sterling against		
US dollar	(18)	(19)
Euro	(3)	3
Australian dollar	(6)	(4)

g) Credit risk

Credit risk is the risk that counterparties to financial transactions can not perform according to the terms of the contract. The Group’s businesses are principally exposed to counterparty credit risk when dealing with their customers, and from certain financing activities.

The immediate credit exposure of financial derivatives is represented by those financial derivatives that have a net positive fair value by counterparty at 17 September 2022. The Group considers its maximum exposure to credit risk to be:

	2022 £m	2021 £m
Cash and cash equivalents	2,121	2,275
Current asset investments	4	32
Trade and other receivables	1,567	1,215
Other non-current receivables	29	32
Investments	29	23
Derivative assets at fair value through profit and loss	53	9
Derivative assets in designated cash flow hedging relationships	415	103
	4,218	3,689

The significant majority of cash balances and short-term deposits are held with strong investment-grade banks or financial institutions.

The Group uses 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 52 weeks ended 17 September 2022

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:

2022	Derivatives					
	Current asset investments £m	Cash equivalents £m	Currency derivative assets £m	Cross-currency swaps £m	Commodities £m	Total £m
Long-term issuer rating						
AA	–	299	2	–	10	311
A	4	955	103	22	–	1,084
BBB	–	157	–	–	–	157
BB	–	9	–	–	–	9
B	–	16	–	–	–	16
Not rated	–	11	–	–	315	326
Total	4	1,447	105	22	325	1,903

2021	Derivatives					
	Current asset investments £m	Cash equivalents £m	Currency derivative assets £m	Cross-currency swaps £m	Commodities £m	Total £m
Long-term issuer rating						
AA	29	22	–	–	2	53
A	3	1,148	21	27	1	1,200
BBB	–	319	3	5	–	327
BB	–	19	–	–	–	19
B	–	8	–	–	–	8
Not rated	–	–	–	–	37	37
Total	32	1,516	24	32	40	1,644

In the current year, we have included cash equivalents in the above disclosure and have re-presented the prior year comparatives on a consistent basis.

Cash of £674m (2021 – £759m) has been excluded from this analysis as the balances 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:

	2022 £m	2021 £m
UK	579	442
Europe & Africa	385	306
The Americas	230	164
Asia Pacific	373	303
	1,567	1,215

Trade receivables can be analysed as follows:

	2022 £m	2021 £m
Not overdue	1,129	899
Up to one month past due	137	100
Between one and two months past due	31	16
Between two and three months past due	10	6
More than three months past due	31	24
Expected loss provision	(27)	(24)
	1,311	1,021

Trade receivables are stated net of the following expected loss provision:

	2022 £m	2021 £m
Opening balance	24	27
Increase charged to the income statement	6	4
Amounts released	(4)	(2)
Amounts written off	(1)	(3)
Effect of movements in foreign exchange	2	(2)
Closing balance	27	24

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 credit 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 selected for their credit status, global reach and their ability to meet the businesses’ day-to-day banking requirements. The credit risk of these institutions are monitored on a continuing basis. 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.

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. This includes maintaining access to significant total liquidity comprised of both net cash and undrawn committed credit facilities. These policies 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 214.

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

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:

		2022						
		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
Note								
Non-derivative financial liabilities								
Trade and other payables	20	(2,623)	(28)	–	–	–	(2,651)	(2,651)
Secured loans	19	–	(1)	–	–	–	(1)	(1)
Unsecured loans and overdrafts	19	(153)	(17)	(103)	(31)	(470)	(774)	(636)
Lease liabilities	10	(197)	(214)	(409)	(1,115)	(2,400)	(4,335)	(3,252)
Deferred consideration	21	(4)	(12)	(1)	(3)	–	(20)	(20)
Derivative financial liabilities								
• Currency derivatives (excluding cross-currency swaps) (net payments)		(15)	(2)	(1)	–	–	(18)	(22)
• Commodity derivatives (net payments)		(170)	(1)	(2)	–	–	(173)	(173)
• Interest rate derivatives (net payments)		(3)	–	–	–	–	(3)	(3)
Total financial liabilities		(3,165)	(275)	(516)	(1,149)	(2,870)	(7,975)	(6,758)

		2021						
		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
Note								
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)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 17 September 2022.

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 17 September 2022, in respect of which all conditions precedent have been met, amounted to £1,567m (2021 – £1,145m):

	2022			2021		
	Facility £m	Drawn £m	Undrawn £m	Facility £m	Drawn £m	Undrawn £m
Committed Revolving Credit Facility	1,500	–	1,500	1,088	–	1,088
Public Bond due in 2034	390	390	–	–	–	–
US private placement	87	87	–	297	297	–
Illovo	77	12	65	65	10	55
Other	9	7	2	3	1	2
	2,063	496	1,567	1,453	308	1,145

Uncommitted facilities available at 17 September 2022 were:

	2022			2021		
	Facility £m	Drawn £m	Undrawn £m	Facility £m	Drawn £m	Undrawn £m
Moneymarket lines	100	–	100	100	–	100
Illovo	188	99	89	157	63	94
Azucarera	36	2	34	30	5	25
China	39	–	39	37	–	37
Other	162	40	122	161	30	131
	525	141	384	485	98	387

In addition to the above facilities there are also £114m (2021 – £114m) 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 issued a public bond of £400m due in 2034. Included are deferred financing costs totalling £10m which have been capitalised against the bond and are to be amortised over its term.

The Group has a £1.5bn Committed Revolving Credit Facility which matures in June 2027. The Group also has £87m of private placement notes remaining in issue to institutional investors in the US and Europe which are due in 2024. At 17 September 2022, these had an average remaining duration of 1.5 years and an average fixed coupon of 3.92%. 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 60 to 63.

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 £11,448m (2021 – £9,921m). 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 debt funding is sourced from the 2034 Public Bond, 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 financial leverage policy is that, in the ordinary course of business, the Board prefers to see the Group’s ratio of net debt including lease liabilities to Adjusted EBITDA to be well under 1.5 times at each half year and year end reporting date. 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 17 September 2022, Group companies have provided guarantees in the ordinary course of business amounting to £1,754m (2021 – £1,513m).

In 2021, 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 (£52m; 2021 – £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	2022 £000	2021 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		930	895
Dividends paid by Associated British Foods plc and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	12,361	1,570
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		2,322	300
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	2	128	14
Sales to fellow subsidiary undertakings on normal trading terms	3	48	55
Sales to companies with common key management personnel on normal trading terms	4	16,891	14,980
Amounts due from companies with common key management personnel	4	2,898	1,705
Sales to joint ventures on normal trading terms		54,111	44,405
Sales to associates on normal trading terms		73,360	46,407
Purchases from joint ventures on normal trading terms		436,467	361,287
Purchases from associates on normal trading terms		13,879	16,524
Amounts due from joint ventures		37,865	35,941
Amounts due from associates		9,151	4,033
Amounts due to joint ventures		30,214	22,960
Amounts due to associates		594	1,615

1. The Garfield Weston Foundation (‘the Foundation’) is an English charitable trust, established in 1958 by the late W. Garfield Weston. The Foundation has no direct interest in the Company, but as at 17 September 2022 was the beneficial owner of 683,073 shares (2021 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2021 – 79.2%) of that company’s issued share capital and is, therefore, the Company’s ultimate controlling party. At 17 September 2022, the trustees of the Foundation comprised nine grandchildren of the late W. Garfield Weston of whom five are children of the late Garry H. Weston.
2. Details of the directors are given on pages 106 and 107. Their interests, including family interests, in the Company and its subsidiary undertakings are given on page 148. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration Report on pages 126 to 158.
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 £29m (2021 – £32m) of finance lease receivables (see note 14). The remainder of the balance is trading balances. All but £4m (2021 – £4m) 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 17 September 2022 Wittington, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2021 – 431,515,108) representing in aggregate 54.5% (2021 – 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 17 September 2022, have a combined interest in approximately 58.4% (2021 – 58.3%) of the Company’s voting rights. Information on the relationship agreement between the Company and its controlling shareholders is set out on page 155 of the Directors’ Report.

Subsidiary undertakings

A list of the Group’s subsidiaries as at 17 September 2022 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%	Subsidiary undertakings	% effective holding if not 100%
United Kingdom			
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom</i>		ABF HK Finance Limited	
A.B. Exploration Limited		ABF Ingredients Limited	
A.B.F. Holdings Limited		ABF Investments plc	
A.B.F. Nominees Limited		ABF Japan Limited	
A.B.F. Properties Limited		ABF MXN Finance Limited	
AB Agri Limited		ABF Overseas Limited	
AB Foods Australia Limited		ABF PM Limited	
AB Ingredients Limited		ABF UK Finance Limited	
AB Mauri (UK) Limited		ABF US Holdings Limited	
AB Mauri China Limited		ABF ZMW Finance Limited	
AB Mauri Europe Limited		ABN (Overseas) Limited	
AB Sugar China Holdings Limited		ABNA Feed Company Limited	
AB Sugar China Limited		ABNA Limited	
AB Sugar China North Limited		Acetum (UK) Limited (previously Allied Technical Centre Limited)	
AB Sugar Limited		Agrilines Limited	
AB Technology Limited		Allied Bakeries Limited	
AB World Foods (Holdings) Limited		Allied Grain (Scotland) Limited	
AB World Foods Limited		Allied Grain (South) Limited	
ABF (No.1) Limited		Allied Grain (Southern) Limited	
ABF (No.2) Limited		Allied Grain Limited	
ABF (No.3) Limited		Allied Mills (No.1) Limited	
ABF BRL Finance Ltd		Allied Mills Limited	
ABF Energy Limited		Allinson Limited	
ABF Europe Finance Limited		Associated British Foods Pension Trustees Limited	
ABF European Holdings Limited		Atrium 100 Properties Limited	
ABF Finance Limited		Atrium 100 Stores Holdings Limited	
ABF Food Tech Investments Limited		Atrium 100 Stores Limited	
ABF Funding		B.E. International Foods Limited	
ABF Grain Products Limited		Banbury Agriculture Limited	
ABF Green Park Limited		British Sugar (Overseas) Limited	
ABF Grocery Limited		British Sugar plc	
		BSO (China) Limited	
		Cereal Industries Limited	
		Cereform Limited	
		Davjon Food Limited	

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29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
Dorset Cereals Limited	
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	
Kingsgate Food Ingredients Limited	
LeafTC 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	

Subsidiary undertakings	% effective holding if not 100%
Weston Biscuit Company Limited (The)	
Weston Foods Limited	
Weston Research Laboratories Limited	
Worldwing Investments Limited	
Wonastow Road Industrial Estate, Monmouth NP25 5JA, United Kingdom	
Greencoat Limited	
C/O Greencoat Limited, Wonastow Road Industrial Estate, Monmouth NP25 5JA, United Kingdom	
Shep-Fair Products Limited	
Unit 4, Wonastow Road Industrial Estate, Monmouth NP25 5JA, United Kingdom	
Greencoat Farm Limited	
Unit 4 & 5, Wonastow Road Industrial Estate (West), Monmouth NP25 5JA, United Kingdom	
Natural Vetcare Limited	
Vernon House, 40 New North Road, Huddersfield, West Yorkshire HD1 5LS, United Kingdom	
Proper Nutty 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 Glentanan 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 Alfonsín, 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	
AusPac Ingredients Pty Ltd	
CCD Animal Health Pty Ltd	
Dagan Trading Pty. Ltd	
Food Investments Pty. Limited	
George Weston Foods (Victoria) Pty Ltd	
George Weston Foods Limited	
Indonesian Yeast Company Pty Limited	

Subsidiary undertakings	% effective holding if not 100%
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	
Austria	
Wollzeile 11/2. OG, 1010 Vienna, Austria	
Primark Austria Ltd & Co KG	
Krottenbachstrasse, 82-88/Stg 1/Top 5, 1190 Vienna, Austria	
Nutrilabs GmbH	
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	
Avenida Dra. Ruth Cardoso, n.º 7.221, 11º Floor, Room 1.101 (parte), Condomínio Edifício Birmann 21, Pinheiros, CEP 05425-902, City of São Paulo, State of São Paulo, 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 Co., Ltd.	
Harbin Mauri Yeast Co., Ltd. (in liquidation)	

Subsidiary undertakings	% effective holding if not 100%
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	
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.	
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.	

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

29. Group entities continued

	% effective holding if not 100%
Subsidiary undertakings	
<i>8 Lancun Road, Economic and Technical Development Zone, Minhang, Shanghai 200245, China</i>	
Shanghai AB Food & Beverages Co., Ltd	
<i>No.68-1, Shuanglong Road, Fushan District, Yantai City, Shandong Province, China</i>	
Yantai Mauri Yeast Co., Ltd.	92%
Colombia	
<i>Cra 35# 34A-64, Palmira, Valle, Colombia</i>	
Fleischmann Foods S.A.	
Czech Republic	
<i>Nádražní 523, 349 01 Stříbro, Czech Republic</i>	
Bodit Tachov s.r.o.	
<i>Palladium, Na Porici 1079/3a, Prague 1, 110 00, Czech Republic</i>	
Primark Prodejny s.r.o.	
Denmark	
<i>Skjernvej 42, Trøstrup, 6920 Videbæk, Denmark</i>	
AB Neo A/S	
<i>Middelfartvej 77, Baring, 5466 Asperup, Denmark</i>	
Cowconnect ApS	
Ecuador	
<i>Medardo Ángel Silva 13 y Panamá, Manzana 12, El Recreo, Eloy Alfaro, Durán, Guayas, Ecuador</i>	
ABCALSA S.A.	
Eswatini	
<i>Ubombo Sugar Limited, Old Main Road, Big Bend, Eswatini</i>	
Bar Circle Ranch Limited	60%
Illovo Swaziland Limited	60%
Moyeni Ranch Limited	60%
Ubombo Sugar Limited	60%
Finland	
<i>Tykkimäentie 15b (PO Box 26), Rajamäki, FI-05200, Finland</i>	
AB Enzymes Oy	
<i>Tykkimäentie 15b (PO Box 57), Rajamäki, FI-05201, Finland</i>	
Enzymes Leasing Finland Oy	
<i>Koskelontie 19 B, Espoo, FI-02920, Finland</i>	
Alimetrics Group Oy	
Alimetrics Diagnostics Oy	
Alimetrics Research Oy	
AB Vista Finland Oy	
France	
<i>40/42, avenue Georges Pompidou, 69003, à Lyon, France</i>	
AB Mauri France	
<i>25 Rue Anatole France, 92300 Levallois-Perret, France</i>	
Twinings & Co SAS	
<i>11 Rue de Milan, 75009, Paris, France</i>	
ABFI France SAS	
<i>Centre Commercial Régional Créteil Soleil, Niveau 3, 101 Avenue du Général de Gaulle, 94000, Créteil,, France</i>	
Primark France SAS	
<i>845 Chemin du Vallon du maire, 13240, Septemes les Vallons, France</i>	
SPI Pharma SAS	
<i>ZAE Via Europa, 3 rue d'Athènes, 34350 Vendres, France</i>	
Fytexia Group	
Fytexia	

	% effective holding if not 100%
Subsidiary undertakings	
Germany	
<i>Feldbergstrasse 78, 64293, Darmstadt, Germany</i>	
AB Enzymes GmbH	
<i>Wandsbeker Zollstrasse 59, 22041, Hamburg, Germany</i>	
ABF Deutschland Holdings GmbH	
Ohly GmbH	
Ohly Grundbesitz GmbH	
Rheinische Presshefe- und Spritwerke GmbH	
<i>Kennedyplatz 2, 45127, Essen, Germany</i>	
Primark Mode Ltd. & Co. KG	
Primark Property GmbH	
<i>Westendstrasse 28, 60325, Frankfurt am Main, Germany</i>	
Wander GmbH	
<i>Marie-Kahle-Allee 2, D-53113, Bonn, Germany</i>	
Westmill Foods Europe GmbH	
Greece	
<i>28, Dimitriou Soutsou Str, Athens, GR 115 21, Greece</i>	
PSH Teal Single Member S.A.	
Guernsey	
<i>Dorey Court, Admiral Park, St. Peter Port, GY1 2HT, Guernsey</i>	
Talisman Guernsey Limited	
Hong Kong	
<i>Workshop D, 8th Floor, Reason Group Tower, No.403 Castle Peak Road, Kwai Chung, New Territories, Hong Kong</i>	
Associated British Foods Asia Pacific Holdings Limited	
Hungary	
<i>Károlyi utca 12. 3. em., Budapest, 1053, Hungary</i>	
PSH Violet Kft.	
India	
<i>#218 & #219, Bommasandra – Jigani Link Road, Anekal Taluk, Bangalore, 560105, India</i>	
AB Mauri India Private Limited	
<i>First Floor, Regent Sunny Side, 80 Ft Road, 8th Block, Koramangala Bengaluru, Karnataka, 560030, India</i>	
SPI Specialties Pharma Private Limited	
<i>G3/41, New Budge Budge Trunk Road, Old Dakghar, Kolkata, West Bengal, 700141, India</i>	
Twinings Private Limited	
Indonesia	
<i>Wisma GKBI Lt.39, Suite 3901, No.28 Jl. Jend, Sudirman, Jakarta, Indonesia</i>	
PT AB Food & Beverages Indonesia (in liquidation)	
Ireland	
<i>47 Mary Street, Dublin 1, Ireland</i>	
Abdale Finance Limited	
Primark Holdings Unlimited Company	
Primark Pension Trustees Limited	
<i>1 Stokes Place, St. Stephen’s Green, Dublin 2, Ireland</i>	
Allied Mills Ireland Limited	
<i>Unit 5, Hebron House, Macdonagh Junction, Kilkenny, R95 T91Y, Ireland</i>	
Intellync Technology Limited	

	% effective holding if not 100%
Subsidiary undertakings	
<i>Arthur Ryan House, 22-24 Parnell Street, Dublin 1, Ireland</i>	
Primark Limited	
Primark Austria Limited	
Primark Mode Limited	
<i>13 Classon House, Dundrum Business Park, Dundrum, Dublin 14, D14X9F9 Ireland</i>	
Nutritional Advanced Formulas (Ireland) Limited	
Italy	
<i>Viale Monte Nero, 84, 20135, Milan, Italy</i>	
AB Agri Italy S.r.l	
<i>Via Milano 42, 27045, Casteggio, (Pavia), Italy</i>	
AB Mauri Italy S.p.A.	
ABF Italy Holdings S.r.l.	
<i>Largo Francesco Richini 2/A, 20122, Milan, Italy</i>	
Primark Italy S.r.l.	
<i>Via Rizzotto 46, 41126, Modena (MO), Italy</i>	
Acetaia Fini Modena S.r.l.	
<i>Via Sandro Pertini 440, 401314, Cavezzo (MO), Italy</i>	
Acetum S.p.A.	
<i>Via Garibaldi 84, Magenta, 20013, Milan, Italy</i>	
ALP Immobiliare S.r.l.	70%
<i>Via Gran Sasso, 33, Corbetta, 20011, Milan, Italy</i>	
B Natural S.r.l.	70%
Jersey	
<i>First Floor, Durell House, 28 New Street, St. Helier, JE2 3RA, Jersey</i>	
Bonuit Investments Limited (dissolved on 20 September 2022)	
Malawi	
<i>Illovo House, Churchill Road, Limbe, Malawi</i>	
Dwangwa Sugar Corporation Limited	76%
Illovo Sugar (Malawi) plc	76%
Malawi Sugar Limited	
Malaysia	
<i>Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, 59200 Jalan Kerinchi, Kuala Lumpur, Malaysia</i>	
AB Mauri Malaysia Sdn. Bhd.	52%
Malta	
<i>171 Old Bakery Street, Valletta, VLT 1455, Malta</i>	
Relax Limited	70%
Mauritius	
<i>10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius</i>	
Illovo Group Financing Services	
Illovo Group Holdings Limited	
Illovo Group Marketing Services Limited	
Kilombero Holdings Limited	
Sucoma Holdings Limited	
Mexico	
<i>Paseo de la Reforma No 2620, Edificio Reforma Plus, piso 8, 803, 804 y 805, Col. Lomas Atlas, DF 11950, Mexico</i>	
AB CALSA S.A. de C.V.	
<i>Avenida Javier Barros Sierra 495, piso 7 oficina 07-102, Col. Santa Fe, Alvaro Obregón, Ciudad de México, 01219, México</i>	
ACH Foods Mexico, S. de R.L. de C.V.	

	% effective holding if not 100%
Subsidiary undertakings	
Mozambique	
<i>KM75 EN1, Maçana, Distrito de Manhiça, Provincia de Maputo, Mozambique</i>	
Maragra Açucar, S.A.	
Netherlands	
<i>Mijlweg 77, 3316 BE, Dordrecht, Netherlands</i>	
AB Mauri Netherlands B.V.	
AB Mauri Netherlands European Holdings B.V.	
Foods International Holding B.V.	
<i>Van Oldenbarneveltplaats 36, 3012 AH, Rotterdam, Netherlands</i>	
Primark Fashion B.V.	
Primark Netherlands B.V.	
Primark Stil B.V.	
<i>Weena 505, 3013AL Rotterdam, Netherlands</i>	
AB Vista Europe B.V.	
<i>7122 JS Aalten, Dinxperlosestraatweg 122, Netherlands</i>	
Germains Seed Technology B.V.	
<i>Oude Kerkstraat 55 4878 AK, Etten-Leur, Netherlands</i>	
Mauri Technology B.V.	
<i>Laarderhoogtweg 25, 1101 EB Amsterdam, Netherlands</i>	
Westmill Foods Europe B.V.	
New Zealand	
<i>Building 3, Level 2, 666 Great South Road, Ellerslie, Auckland 1051, New Zealand</i>	
Allied Foods (NZ) Ltd	
Anzchem NZ Limited (dissolved 28 October 2022)	
AusPac Ingredients NZ Limited	
George Weston Foods (NZ) Limited	
<i>57 Forge Road, Silverdale 0932 New Zealand</i>	
Dad’s Pies Limited	
Nigeria	
<i>23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria</i>	
Twinings Ovaltine Nigeria Limited	
Pakistan	
<i>21KM Ferozepur Road, 2 KM Hadyara Drain, Lahore, Pakistan</i>	
AB Mauri Pakistan (Private) Limited	60%
Peru	
<i>Av. Republica de Argentina No.1227, Z.I. La Chalaca, Callao, Peru</i>	
Calsa Perú S.A.C.	
Philippines	
<i>86 E Rodriguez Jr. Ave., Ugong Norte, QC,1604, Pasig City, Metro Manila, Philippines</i>	
AB Food & Beverages Philippines, Inc.	99%
<i>1201-1202 Prime Land Building, Market Street, Madrigal Business Park, Ayala Alabang, Muntinlupa,1770, Philippines</i>	
AB Mauri Philippines, Inc.	
Poland	
<i>Przemysłowa 2, 67-100 Nowa Sól, Lubuskie, Poland</i>	
AB Foods Polska Spółka z ograniczona odpowiedzialnoscia (AB Foods Polska Sp. z o.o.)	
<i>Towarowa 28,00-839 Warsaw, Poland</i>	
Primark Sklepy spolka z ograniczona odpowiedzialnoscia (Primark Sklepy Sp. z o.o)	

Notes forming part of the financial statements

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29. Group entities continued

Subsidiary undertakings	% effective holding if not 100%
<i>ul. Rabowicka 29/31, 62-020, Swarzędz – Jasin, Poland</i> R. Twining and Company Spółka z ograniczona odpowiedzialnoscia (R. Twining and Company Sp. z o.o.) <i>ul. Główna 3A, Bruszczewo, 64-030, Śmigiel, Poland</i> AB Neo Polska spolka z organiczona odpowiedzialnoscia (AB Neo Polska Sp. z o.o) (previously AB Agri Polska Sp. z o.o.)	
Portugal <i>Avenida Salvador Allende, n.º 99, Oeiras, Julião da Barra, Paço de Arcos e Caxias, 2770-157, Paco de Arcos, Portugal</i> AB Mauri Portugal, S.A. <i>Rua Castilho 50, 1250-071, Lisbon, Portugal</i> Lojas Primark Portugal – Exploracao, Gestao e Administracao de Espacos Comerciais S.A.	96%
Romania <i>District 1, 165 Calea Floreasca, One Tower, 12th Floor, Bucharest, Romania</i> Primark Magazine S.R.L. (previously P.S.R. Indigo)	
Rwanda <i>Nyarugenge District, Nyarugenge Sector, Kigali City, Rwanda</i> Illovo Sugar (Kigali) Limited	
Singapore <i>80 Robinson Road, #02-00, 068898 Singapore</i> AB Mauri Investments (Asia) Pte Ltd <i>112 Robinson Road #05-01, 068902 Singapore</i> AB Vista Asia Pte. Limited	
Slovakia <i>Staromestska 3, 811 03 Bratislava – Stare Mesto, Slovakia</i> Primark Slovakia s.r.o.	
Slovenia <i>Bleiweisova cesta 30, Ljubljana, 1000, Slovenia</i> Primark Trgovine, trgovsko podjetje, d.o.o.	
South Africa <i>1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal, 4320, South Africa</i> 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 Noodsberg Sugar Company (Pty) Ltd Reynolds Brothers (Pty) Ltd S.A. Sugar Distributors (Pty) Limited	70%
Spain <i>Calle Cardenal Marcelo Spinola, 42, 28016, Madrid, Spain</i> AB Azucarera Iberia, S.L. Sociedad Unipersonal AB Vista Iberia, S.L. <i>Calle Levadura, 5 14710, Villarrubia, Córdoba</i> AB Mauri Food, S.A AB Mauri Spain, S.L.U. ABF Iberia Holding S.L. <i>C/Escultor Coomonte nº. 2, Entreplanta, Benavente, Zamora, Spain</i> Agroteo S.A.	53%

Subsidiary undertakings	% effective holding if not 100%
<i>Calle Comunidad de Murcia, Parcela LIE-1-03, Plataforma Logistica de Fraga, 22520, Huesca, Spain</i> Alternative Swine Nutrition, S.L. <i>Calle Escoles Pies 49, Planta Baja, 08017 Barcelona, Spain</i> DR Healthcare España, S.L.U. <i>Avienda Virgen de Montserrat, 44 Castelloli, 08719, Barcelona, Spain</i> Germains Seed Technology, S.A. <i>Plaza Pablo Ruiz Picasso S/N, Torre Picasso, Planta 37, Madrid, Spain</i> Illovo Sugar Espana, S.L. <i>Gran Via, 32 5o 28013, Madrid, Spain</i> Primark Tiendas, S.L.U. <i>8, 2 Calle Via Servicio I, 2 CP, 19190 Torija, Guadalajara, Spain</i> Primark Logistica, S.L. Sociedad Unipersonal	
Sri Lanka <i>124 Templers Road, Mount Lavinia, Sri Lanka</i> AB Mauri Lanka (Private) Limited	
Sweden <i>Retzius väg 8, 171 65, Solna, Sweden</i> Larodan AB	
Switzerland <i>Fabrikstrasse 10, CH-3176, Neuenegg, Switzerland</i> Wander AG	
Taiwan <i>5F, No.217, Sec 3, Nanking E Rd, Taipei City, 104, Taiwan (R.O.C.)</i> AB Food and Beverages Taiwan, Inc.	
Tanzania <i>Msolwa Mill Office, Kidatau, Kilombero District, Tanzania</i> Illovo Distillers (Tanzania) Limited Illovo Tanzania Limited Kilombero Sugar Company Limited	75%
Thailand <i>11th Floor, 2535 Sukhumvit Road, Kwaeng Bangchak, Khet Prakhnong, Bangkok, 10260, Thailand</i> AB Food & Beverages (Thailand) Ltd. ABF Holdings (Thailand) Ltd. <i>1 Empire Tower, 24th Floor, Unit 2412-2413, South Sathorn Road, Yannawa, Sathorn, Bangkok, 10120, Thailand</i> AB World Foods Asia Ltd <i>229/110 Moo 1, Teparak Road, T. Bangsaothong, A. Bangsaothong, Samutprakarn, 10540, Thailand</i> Jasol Asia Pacific Limited	
Turkey <i>Aksakal Mahallesi, Kavakpinari, Kume Evleri No.5, Bandirma- Balikesir, 10245, Turkey</i> Mauri Maya Sanayi A.S.	
United Arab Emirates <i>Office 604º, Jafza LOB 15, Jebel Ali Freezone, Dubai, PO BOX 17620, United Arab Emirates</i> AB Mauri Middle East FZE	

Subsidiary undertakings	% effective holding if not 100%
United States <i>CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017, United States</i> AB Mauri Food Inc. <i>The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States</i> 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. (in liquidation) BakeGood, LLC Germains Seed Technology, Inc. PGP International, Inc. Primark US Corp. SPI Pharma, Inc. SPI Polyols, LLC Twinings North America, Inc. <i>101 Arch Street, Floor 3, Boston MA 02110, United States</i> Primark GCM LLC <i>158 River Road, Unit B, Clifton, NJ 07014, United States</i> Balsamic Express LLC <i>158 River Road, Unit A, Clifton, NJ 07014, United States</i> Modena Fine Foods, Inc. <i>Registered Agent Solutions, 1220 S St Ste 150, Sacramento CA 95811</i> PennyPacker, LLC	

Subsidiary undertakings	% effective holding if not 100%
<i>Registered Agent Solutions Inc., 9 E Loockerman Street Suite 311, Dover, Kent DE 19901, United States</i> Prosecco Source, LLC <i>251 Little Falls Drive, Wilmington, DE 19808, United States</i> Fytexia Corp.	
Uruguay <i>CNo.Carlos Antonio Lopez 7547, Montevideo, Uruguay</i> Levadura Uruguaya S.A.	
Venezuela <i>Oficinas Once 3 (Nº 11-3) y Once 4 (Nº 11-4), Torre Mayupan, Centro Comercial San Luis, Av.Principal Urbanización San Luis, cruce con Calle Comercio, Caracas, Bolivarian Republic of Venezuela</i> Alimentos Fleischmann, C.A., Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	
Vietnam <i>Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Choi Minh City, Vietnam</i> AB Agri Vietnam Company Limited <i>La Nga Commune, Dinh Quan District, Dong Nai Province, Vietnam</i> AB Mauri Vietnam Limited	66%
Zambia <i>Nakambala Estates, Plot No.118a Lubombo Road, Off Great North Road, Zambia</i> Illovo Sugar (Zambia) Limited Nanga Farms PLC Tukunka Agricultural Limited Zambia Sugar plc	75% 75% 75%

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29. Group entities continued

Joint ventures

A list of the Group’s joint ventures as at 17 September 2022 is given below. All joint ventures are included in the Group’s financial statements using the equity method of accounting.

Joint ventures	% holding	Joint ventures	% holding
United Kingdom		<i>Room 608, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China</i>	
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom</i>		AB Mauri Yihai Kerry Food Marketing (Shanghai) Co., Ltd	50%
Frontier Agriculture Limited	50%	<i>Ta Ha Comprehensive Industrial Park, Fuyu County Economic Development Area, Qiqihar, Heilongjiang Province, China</i>	
Boothmans (Agriculture) Limited	50%	AB Mauri Yihai Kerry (Fu Yu) Yeast Technology Co., Ltd	50%
Forward Agronomy Limited	50%	<i>9 Tonggang Road, Shage Village, Nanpu Town, Quangang Area, Quanzhou, Fujian Province, China</i>	
G F P (Agriculture) Limited	50%	AB Mauri Yihai Kerry (Quanzhou) Yeast Technology Co., Ltd.	50%
GH Grain Limited	50%	<i>Intersection of Jiaotong Avenue and Zhoushan Road, Gang District, Zhoukou, Henan Province, China</i>	
GH Grain (No.2) Limited	50%	AB Mauri Yihai Kerry (Zhoukou) Yeast Technology Co., Ltd.	50%
Grain Harvesters Limited	50%	<i>Xinsha Industrial Zone, Machong Town, Dongguan, Guangdong Province, China</i>	
Intracrop Limited	50%	AB Mauri Yihai Kerry (Dongguan) Food Co., Ltd	50%
Nomix Limited	50%	Finland	
North Wold Agronomy Limited	50%	<i>Tykkimäentie 15b (PO Box 57), Rajamäki, FIN-05201, Finland</i>	
Phoenix Agronomy Limited	50%	Roal Oy	50%
SOYL Limited	50%	France	
The Agronomy Partnership Limited	50%	<i>59, Chemin du Moulin, 695701, Carron, Dardilly, France</i>	
<i>Berth 36, Test Road, Eastern Docks, Southampton, Hampshire, SO14 3GG, United Kingdom</i>		Synchronis	50%
Southampton Grain Terminal Limited	50%	Germany	
<i>Kingseat, Newmacher, Aberdeenshire, AB21 0UE, Scotland, United Kingdom</i>		<i>Brede 4, 59368, Werne, Germany</i>	
Euroagkem Limited	50%	UNIFERM GmbH & Co. KG	50%
Lothian Crop Specialists Limited	50%	INA Nahrungsmittel GmbH	50%
<i>Riverside, Wissington Road, Nayland, Colchester, Essex, CO6 4LT, United Kingdom</i>		UNIFERM Verwaltungs GmbH	50%
Anglia Grain Holdings Limited	50%	<i>Brede 8, 59368, Werne, Germany</i>	
Anglia Grain Services Limited	50%	UNILog GmbH	50%
<i>Unit 8, Burnside Business Park, Burnside Road, Market Brayton, TF9 3UX, United Kingdom</i>		Japan	
B.C.W (Agriculture) Limited	50%	<i>36F Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo 105-6236, Japan</i>	
<i>Witham St Hughs, Lincoln, LN6 9TN, United Kingdom</i>		Twinings Japan Co Ltd	50%
Nomix Enviro Limited	50%	Poland	
<i>Eagle Labs Incubator, 28 Chesterton Road, Cambridge, England, CB4 3AZ</i>		<i>ul. Wybieg, nr 5, lok 9, miesjsc, KOD 61-315, Poznan, Poland</i>	
Yagro Ltd	50%	Uniferm Polska Sp z.o.o	50%
Australia		South Africa	
<i>Building A, Level 2, 11 Talavera Road, North Ryde NSW 2113, Australia</i>		<i>1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal 4320, South Africa</i>	
Fortnum & Masons Pty Limited	33%	Glendale Distilling Company	50%
Chile		Spain	
<i>Ave. Balmaceda 3500, Valdivia, Chile</i>		<i>C/Raimundo Fernández, Villaverde 28, Madrid, Spain</i>	
Levaduras Collico S.A.	50%	Compañía de Melazas, S.A.	50%
China		United States	
<i>1828 Tiejueshan Road, Huangdao District, Qingdao, Shandong Province, China</i>		<i>The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States</i>	
Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	25%	Stratas Foods LLC	50%
<i>1 East Ren Min Road, Regiment 66, Cocodala, Xinjiang, China</i>		Stratas Receivables I LLC	50%
AB Mauri Yihai Kerry (Cocodala) Food Co., Ltd. (previously Xinjiang Mauri Food., Ltd)	50%		
<i>Room 607, 6th Floor, 1379, Bocheng Road, Pudong New District, Shanghai, China</i>			
AB Mauri Yihai Kerry Investment Company Limited	50%		

Associates

A list of the Group’s associates as at 17 September 2022 is given below. All associates are included in the Group’s financial statements using the equity method of accounting.

Associates	% holding	Associates	% holding
United Kingdom		Italy	
<i>Pacioli House, Duncan Close, Moulton Park Industrial Estate, Northampton, NN3 6WL, United Kingdom</i>		<i>Via Borgogna, 2-20122, Milan, Italy</i>	
Bakers Basco Limited	20%	Czarnikow Italia Srl	43%
<i>Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB, United Kingdom</i>		Kenya	
C. Czarnikow Limited	43%	<i>I & M Bank House, Second Ngong Avenue, P.O. Box 10517, Nairobi 00100, Kenya</i>	
Czarnikow Group Limited	43%	Czarnikow East Africa Limited	43%
C. Czarnikow Sugar Futures Limited	43%	Mauritius	
C. Czarnikow Sugar Limited	43%	<i>No 5 President John Kennedy Street, Port Louis, Mauritius</i>	
Sugarworld Limited	43%	Sukpak Limited	30%
<i>Northants Apc, Rushton Road, Kettering, NN14 1FL England, United Kingdom</i>		Mexico	
Navara Oat Milling Limited	19%	<i>Jaime Balmes #8 Loc. 3-A, Los Morales Polanco, México City, 11510, Mexico</i>	
Australia		C. Czarnikow Sugar (Mexico), S.A. de C.V.	43%
<i>283 Flagstaff Road, Brinkley SA 5253, Australia</i>		Czarnikow Servicios de Personales (Mexico), S.A. de C.V.	43%
Big Pork River (Australia) Pty Ltd	20%	New Zealand	
Big River Pork Pty Ltd	20%	<i>c/o KPMG, 18 Viaduct Harbour Avenue, Maritime Square, Auckland, New Zealand</i>	
Murray Bridge Bacon Pty Ltd	20%	New Food Coatings (New Zealand) Limited	50%
<i>32 Davis Road, Wetherill Park, Sydney NSW 2164, Australia</i>		Philippines	
New Food Coatings Pty Ltd	50%	<i>Unit A, 103 Excellence Avenue, Carmelray Industrial Park 1, Canlubang, Calamba, Laguna, Philippines</i>	
Bahrain		New Food Coatings (Philippines) Inc.	50%
<i>Suite No.1959 Diplomatic Commercial Office, Tower B, Building No.1565, Road 1722, Diplomatic Area/Manama 317, Bahrain</i>		<i>5F Don Jacinto Building, Dela Rosa cor. Salcedo Streets, Legaspi Village, 1229 Makati City, Philippines</i>	
Czarnikow Supply Chain Sales for Food & Beverage Ingredients Bahrain S.P.C.	43%	CZ Philippines, Inc.	43%
Brazil		Singapore	
<i>Avenida Presidente Juscelino Kubitschek, n.º 2.041, 11º andar- Vila Olimpia, CEP 04.543-011, São Paulo, Brasil</i>		<i>3 Phillip Street, #14-01 Royal Group Building, Singapore 048693</i>	
Czarnikow Brasil Ltda	43%	C. Czarnikow Sugar Pte. Limited	43%
<i>Rua Fidêncio Ramos, 308, cj64, Torre A, Vila Olimpia, São Paulo, SP, Cep 04551-010, Brasil</i>		South Africa	
Cz Energy Comercializado Ra De Etanol S.A	21%	<i>1 Gledhow Mill Road, Gledhow, Kwadukuza, 4450, South Africa</i>	
China		Gledhow Sugar Company (Pty) Limited	30%
<i>Room 17A01, 232 Zhong Shan 6th Road, Guangzhou City, Guangdong Province, 510180, China</i>		Tanzania	
C. Czarnikow Sugar (Guangzhou) Company Ltd	43%	<i>7th Floor Amani Place, Ohio Street, PO Box 38568, Dar-es-Salaam, Tanzania</i>	
India		Czarnikow Tanzania Limited	43%
<i>House No.1-8-373/A, Chiran Fort Lane, Begumpet, Hyderabad, 500003, India</i>		<i>Msolwa Mill Office, Kidatau, Tanzania</i>	
C. Czarnikow Sugar (India) Private Limited	43%	Kilombero Sugar Distributors Limited	20%
Indonesia		Thailand	
<i>Komplex Puri Mutiara Blok A21-22, JL. Griya Utama, Sunter Agung, Jakarta, 14350, Indonesia</i>		<i>909 Moo 15, Teparak Road, Tambol Bangsaothong, King Amphur Bangsaothong, Samutprakarn, Thailand</i>	
PT Indo Fermex	49%	Newly Weds Foods (Thailand) Ltd	50%
P.T. Jaya Fermex	49%	<i>1203, 12th Floor, Metropolis Building, 725 Sukhumvit Road, North Klongton, Wattana, Bangkok, 10110, Thailand</i>	
PT Sama Indah	49%	Czarnikow (Thailand) Limited	43%
Israel		United States	
<i>26, Harokmim st., Holon Azireli Center Building B, Israel</i>		<i>333 SE 2nd Avenue, Suite 2860, Miami, FL 33131, USA</i>	
Sucarim (C.I.S.T.) Ltd	43%	C. Czarnikow Sugar Inc.	43%
		Vietnam	
		<i>5th Floor, IMC Tower, 62 Tan Quang Khai, Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam</i>	
		Czarnikow (Vietnam) Limited	43%

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

29. Group entities continued

In accordance with section 479A of the Companies Act 2006 (the ‘Act’), and subject to compliance with the requirements of that section including the provision of a statutory guarantee from Associated British Foods plc, the following subsidiaries are exempt from the requirements of the Act relating to the audit of individual accounts in respect of the financial year ended 17 September 2022:

Company name	Company number	Company name	Company number
A.B. Exploration Limited	00487323	A.B.F. Properties Limited	00683361
AB Mauri China Limited	12109070	ABF UK Finance Limited	07267422
AB Sugar China Holdings Limited	09468366	ABF US Holdings Limited	05659249
AB Sugar China Limited	09469163	ABF ZMW Finance Limited	13485724
ABF (No.1) Limited	04668120	ABN (Overseas) Limited	00145374
ABF (No.2) Limited	03369799	Acetum (UK) Limited	00446610
ABF (No.3) Limited	00155305	Atrium 100 Properties Limited	04502487
ABF BRL Finance Ltd	11001902	Atrium 100 Stores Holdings Limited	04660969
ABF European Holdings Limited	01004268	Atrium 100 Stores Limited	05007953
ABF Finance Limited	04659735	British Sugar (Overseas) Limited	02400085
ABF Food Tech Investments Limited	00172141	BSO (China) Limited	03799608
ABF Funding	05380813	G. Costa (Holdings) Limited	03679738
ABF HK Finance Limited	07761084	Mountsfield Park Finance Limited	07882348
ABF Japan Limited	00492278	Twining Crosfield & Co Limited	00144900
ABF PM Limited	00486887	Worldwing Investments Limited	02778854

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	<p>The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis.</p> <p>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.</p> <p>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.</p> <p>It is measured against comparable trading days in each year.</p>	Consistent with the definition given
Three year like-for-like sales	No direct equivalent	<p>The like-for-like sales metric expressed over three years enables measurement of the performance of our retail stores compared to our experience in 2019, the last full financial year before any of the economic effects of COVID-19.</p> <p>It is calculated as described above for like-for-like sales, but with 2019 data as the comparator.</p>	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	<p>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.</p> <p>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.</p>	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

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

30. Alternative performance measures *continued*

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

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 three countries where the Group has operations in this position – Argentina, Venezuela and Turkey.	See note B
Effective tax rate	Income tax expense	The effective tax rate is the tax charge for the year expressed as a percentage of profit before tax.	Whilst the effective tax rate is not disclosed, a reconciliation of the tax charge on profit before tax at the UK corporation tax rate to the actual tax charge is provided in note 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

Notes forming part of the financial statements

for the 52 weeks ended 17 September 2022

30. Alternative performance measures *continued*

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
Total liquidity	No direct equivalent	Total liquidity comprises net cash/debt before lease liabilities plus qualifying debts and credit facilities. Qualifying debt and credit facilities are those which are medium-to-long-term, are committed and either contain no performance covenants, or where they do, they are assessed as highly unlikely to be breached in even a severe downside scenario.	See note G
(Average) capital employed	No direct equivalent	Capital employed is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of capital employed are calculated in accordance with Adopted IFRS. Average capital employed for each segment and 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

Note A

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2022							
External revenue from continuing businesses	3,735	2,016	1,722	1,827	7,697	–	16,997
Adjusted operating profit	399	162	47	159	756	(88)	1,435
Adjusted operating margin %	10.7%	8.0%	2.7%	8.7%	9.8%		8.4%
2021							
External revenue from continuing businesses	3,593	1,650	1,537	1,508	5,593	3	13,884
Adjusted operating profit	413	152	44	151	321	(70)	1,011
Repayment of job retention scheme monies	–	–	–	–	94	–	94
Adjusted operating profit before repayment of job retention scheme monies	413	152	44	151	415	(70)	1,105
Adjusted operating margin %	11.5%	9.2%	2.9%	10.0%	5.7%		7.3%

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Disposed businesses £m	Total £m
2022							
External revenue from continuing businesses at actual rates	3,735	2,016	1,722	1,827	7,697	–	16,997
2021							
External revenue from continuing businesses at actual rates	3,593	1,650	1,537	1,508	5,593	3	13,884
Impact of foreign exchange	36	54	18	27	(88)	–	47
External revenue from continuing businesses at constant currency	3,629	1,704	1,555	1,535	5,505	3	13,931
% change at constant currency	+3%	+18%	+11%	+19%	+40%		+22%
	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
2022							
Adjusted operating profit at actual rates	399	162	47	159	756	(88)	1,435
2021							
Adjusted operating profit at actual rates	413	152	44	151	321	(70)	1,011
Impact of foreign exchange	5	18	–	3	1	–	27
Adjusted operating profit at constant currency	418	170	44	154	322	(70)	1,038
% change at constant currency	-5%	-5%	+7%	+3%	+135%		+38%

30. Alternative performance measures *continued*

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

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

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

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

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

Company balance sheet

at 17 September 2022

	Note	2022 £m	2021 £m
Fixed assets			
Intangible assets	1	–	15
Right-of-use assets	2	9	12
Investments in subsidiaries	3	1,287	720
		1,296	747
Current assets			
Debtors:			
• due within one year	4	3,163	2,576
• due after one year	4	98	146
Employee benefits assets – due after one year	5	1,366	633
Derivative assets		30	44
Cash and cash equivalents		1,408	1,653
		6,065	5,052
Creditors: amounts falling due within one year			
Bank loans and overdrafts – unsecured		(2)	(229)
Lease liabilities	2	(3)	(3)
Other creditors	7	(4,013)	(3,322)
Derivative liabilities		(3)	–
		(4,021)	(3,554)
Net current assets			
		2,044	1,498
Total assets less current liabilities			
		3,340	2,245
Creditors: amounts falling due after one year			
Bank loans – unsecured		(481)	(74)
Lease liabilities	2	(7)	(11)
Amounts owed to subsidiaries	7	(196)	(243)
Employee benefits liabilities	5	(22)	(37)
Deferred tax liabilities	6	(324)	(137)
		(1,030)	(502)
Net assets			
		2,310	1,743
Capital and reserves			
Issued capital	8	45	45
Capital redemption reserve	8	2	2
Hedging reserve	8	–	4
Profit and loss reserve	8	2,263	1,692
Equity shareholders’ funds			
		2,310	1,743

The Company’s profit for the 52 weeks ended 17 September 2022 was £426m (53 weeks ended 18 September 2021 – loss of £44m).

The financial statements on pages 233 to 239 were approved by the Board of directors on 8 November 2022 and were signed on its behalf by:

Michael McLintock Chairman	John Bason Finance Director
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Company statement of changes in equity

for the 52 weeks ended 17 September 2022

	Share capital £m	Capital redemption reserve £m	Hedging reserve £m	Profit and loss reserve £m	Total £m
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

Total comprehensive income	–	–	–	426	426
Profit for the period recognised in the income statement					
Remeasurement of defined benefit schemes	–	–	–	742	742
Deferred tax associated with defined benefit schemes	–	–	–	(186)	(186)
Items that will not be reclassified to profit or loss	–	–	–	556	556
Movements in cash flow hedging position	–	–	(5)	–	(5)
Deferred tax associated with movements in cash flow hedging position	–	–	1	–	1
Items that are or may be subsequently reclassified to profit or loss	–	–	(4)	–	(4)
Other comprehensive income	–	–	(4)	556	552
Total comprehensive income	–	–	(4)	982	978
Transactions with owners					
Dividends paid to equity shareholders	–	–	–	(380)	(380)
Net movement in own shares held	–	–	–	(31)	(31)
Total transactions with owners	–	–	–	(411)	(411)
Balance as at 17 September 2022	45	2	–	2,263	2,310

Accounting policies

for the 52 weeks ended 17 September 2022

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 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 comprised goodwill arising on business combinations and operating intangibles. Goodwill is defined under ‘Business acquisitions’ on page 172 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 therefore previously invoked 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 result 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 and interest rate 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. The Company 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 Company 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 company 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 company recognises deferred tax assets only to the extent that is probable that future taxable profits will be available against which the asset can be utilised.

Share-based payments

The Company recognises the fair value of the 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 Company 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.

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, 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.

Where the Company is a lessee, the following accounting policy applies:

Right-of-use assets

The Company 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 Company 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 Company 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 Company subsequently measures lease liabilities at amortised cost using the effective interest rate method. The Company 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 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 of whether 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 twelve 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.

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

Lessor accounting

When subleasing assets the Company 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 sublease/head lease are above or below market rate.

Notes to the Company financial statements

for the 52 weeks ended 17 September 2022

1. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 18 September 2021	14	9	23
Disposals	(14)	–	(14)
At 17 September 2022	–	9	9

Amortisation

At 18 September 2021	–	(8)	(8)
Amortisation	–	(1)	(1)
At 17 September 2022	–	(9)	(9)

Net book value

At 18 September 2021	14	1	15
At 17 September 2022	–	–	–

The goodwill balance was disposed of to a subsidiary undertaking at book value.

2. Leases

Right-of-use assets

	Land and buildings £m	Total £m
Cost		
At 18 September 2021	18	18
At 17 September 2022	18	18

Depreciation

At 18 September 2021	(6)	(6)
Depreciation for the year	(3)	(3)
At 17 September 2022	(9)	(9)

Net book value

At 18 September 2021	12	12
At 17 September 2022	9	9

Lease liabilities

	Land and buildings £m	Total £m
Cost		
At 18 September 2021	14	14
Repayment of lease liabilities	(4)	(4)
At 17 September 2022	10	10
Current	3	3
Non-current	7	7
	10	10

3. Investments in subsidiaries

	£m
At 18 September 2021	720
Additions	567
At 17 September 2022	1,287

Additions in the year comprise an increase of £556m in the existing investment in ABF Investments plc, a wholly owned subsidiary, and £11m relating to the allocation of shares under equity-settled share-based payment plans to employees of the Company’s subsidiaries.

Notes to the Company financial statements

for the 52 weeks ended 17 September 2022

4. Debtors

	2022 £m	2021 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	3,104	2,545
Other debtors	18	18
Corporation tax recoverable	41	13
	3,163	2,576
Amounts falling due after one year		
Amounts owed by subsidiaries	98	146

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

5. Employee entitlements

	2022 assets £m	2021 assets £m	2022 liabilities £m	2021 liabilities £m	2022 net £m	2021 net £m
Reconciliation of changes in assets and liabilities						
At beginning of year	4,315	3,761	(3,719)	(3,705)	596	56
Current service cost	–	–	(34)	(33)	(34)	(33)
Employee contributions	6	6	(6)	(6)	–	–
Employer contributions	27	30	–	–	27	30
Benefit payments	(136)	(159)	138	161	2	2
Past service cost	–	–	–	(4)	–	(4)
Interest income/(expense)	75	60	(64)	(59)	11	1
Return on scheme assets less interest income	(552)	617	–	–	(552)	617
Actuarial gains/(losses) arising from changes in financial assumptions	–	–	1,325	(75)	1,325	(75)
Actuarial losses/(gains) arising from changes in demographic assumptions	–	–	11	(9)	11	(9)
Experience (losses)/gains on scheme liabilities	–	–	(42)	11	(42)	11
At end of year	3,735	4,315	(2,391)	(3,719)	1,344	596

The net pension asset of £1,344m comprises a funded scheme with a surplus of £1,366m and an unfunded scheme with a deficit of £22m.

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 18 September 2021	(149)	3	9	(137)
Amount charged to the income statement	(1)	–	1	–
Amount charged to equity	(186)	–	1	(185)
Disposals	–	–	(2)	(2)
At 17 September 2022	(336)	3	9	(324)

7. Other creditors

	2022 £m	2021 £m
Amounts falling due within one year		
Accruals and deferred income	67	60
Amounts owed to subsidiaries	3,946	3,262
	4,013	3,322
Amounts falling due after one year		
Amounts owed to subsidiaries	196	243

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

8. Capital and reserves

Share capital

At 18 September 2021 and 17 September 2022, the Company’s issued and fully paid share capital comprised 791,674,183 ordinary shares of 5¹⁵/₂₂p, 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 £484m of guarantees in the ordinary course of business as at 17 September 2022 (2021 – £473m).

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 28 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	2022 £000	2021 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		930	895
Dividends paid by the Company and received in a beneficial capacity by:			
1. (i) trustees of the Garfield Weston Foundation and their close family	1	12,631	1,570
2. (ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family	1	2,322	300
3. (iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	128	14
Charges to fellow subsidiary undertakings	2	–	7
Interest income earned from non-wholly owned subsidiaries	2	743	165
Amounts due from non-wholly owned subsidiaries	2	10,008	7,868

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 126 to 153.

Employees

The Company had an average of 208 employees in 2022 (2021 – 217).

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

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Revenue	15,574	15,824	13,937	13,884	16,997
Adjusted operating profit	1,404	1,421	1,024	1,011	1,435
Exceptional items	–	(79)	(156)	(151)	(206)
Transaction costs	(2)	(2)	(2)	(3)	(6)
Amortisation of non-operating intangibles	(41)	(47)	(59)	(50)	(47)
Acquired inventory fair value adjustments	(23)	(15)	(15)	(3)	(5)
Profits less losses on disposal of non-current assets	6	4	18	4	7
Profits less losses on sale and closure of businesses	(34)	(94)	(14)	20	(23)
Finance income	15	15	11	9	19
Finance expense	(50)	(42)	(124)	(111)	(111)
Other financial (expense)/income	4	12	3	(1)	13
Profit before taxation	1,279	1,173	686	725	1,076
Taxation	(257)	(277)	(221)	(227)	(356)
Profit for the period	1,022	896	465	498	720
Basic and diluted earnings per ordinary share (pence)	127.5	111.1	57.6	60.5	88.6
Adjusted earnings per share (pence)	134.9	137.5	81.1	80.1	131.1
Dividends per share (pence)	45.0	46.35	nil	26.7	43.7

Glossary

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 Index (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 <i>Reduced Disclosure Framework</i>
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)
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
ROI	Return on investment (see ESG glossary for further information)
RSP	Restricted Share Plan
SBTi	the Science Based Targets initiative
STIP	Short-term incentive plan
TCFD	The Task Force for Climate-related Financial Disclosures
UKEB	UK Endorsement Board