Associated British Foods plc

INTERIM RESULTS 2014

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WHO WE ARE

Associated British Foods is a diversified international food, ingredients and retail group with sales of £13.3bn, and 113,000 employees in 47 countries.

We aim to achieve strong, sustainable leadership positions in markets that offer potential for profitable growth, and deliver quality products and services that are central to people's lives.

FINANCIAL HIGHLIGHTS

Group revenue
£6.2bn
Down 2%

Adjusted operating profit*
£497m
Up 1%

Adjusted profit before tax*
£468m
Up 4%

Adjusted earnings per share*
45.8p
Up 10%

Dividends per share
9.70p
Up 4%

Net capital investment
£328m

Net debt
£827m

Operating profit
£463m
Up 2%

Profit before tax
£434m
Up 6%

Basic earnings per share
43.2p
Up 12%

* Before amortisation of non-operating intangibles and profits less losses on the disposal of non-current assets.

OUR BUSINESSES AT A GLANCE

The group operates through five strategic business segments: Sugar, Agriculture, Grocery, Ingredients and Retail.

Sugar 17% of total revenue

Revenue

£1,027m 2013: £1,323m

Adjusted operating profit

£64m 2013: £162m

Agriculture 10% of total revenue

Revenue

£625m 2013: £641m

Adjusted operating profit

£19m 2013: £20m

Grocery 28% of total revenue

Revenue

£1,767m 2013: £1,832m

Adjusted operating profit

£126m 2013: £96m

Ingredients 8% of total revenue

Revenue

£509m 2013: £527m

Adjusted operating profit

£15m 2013: £nil

Retail 37% of total revenue

Revenue

£2,278m 2013: £1,997m

Adjusted operating profit

£298m 2013: £237m

CHAIRMAN'S STATEMENT

I am pleased to report interim results for the group that deliver adjusted earnings growth of 10% in the face of a strengthening of sterling and much lower sugar prices. This was achieved with the benefit of strong performances from Primark and Grocery, an encouraging improvement at Ingredients and a lower interest charge which was, in large part, due to the group's strong cash flow.

Revenue in the first half fell by 2% and adjusted operating profit increased by 1%. Revenue in our food businesses was lower than last year primarily because of food commodity deflation, particularly sugar. At constant currency, revenues were 1% ahead of last year and first half profits, when further adjusted for businesses disposed, were 3% higher. Sterling was stronger than most of our major currencies in the first half and strengthened markedly towards the end of the period. If these rates persist, the translation impact on full year profits would be in the order of £50m.

Net financing costs in the period were £14m lower than last year's first half, resulting from a reduced level of net borrowings and the repayment, last July, of British Sugar's £150m 10¾% debenture. The underlying tax rate of 23.5% is below the 25.7% applied to first half profits last year reflecting the lower UK corporation tax rate applicable in the current year and a higher proportion of profit earned in territories with lower rates. Adjusted earnings were 10% ahead at 45.8p per share.

AB Sugar has been severely affected this year by the decline in sugar prices. The impact in the EU is exacerbated by an intensification of competition ahead of quota abolition in 2017. In this environment, AB Sugar's continued drive for efficiency improvement from the sharing of best practice around the group is all the more important. This programme is now well embedded and has delivered benefits in the period. Our sugar operations are well invested with highly efficient and cost-competitive plants, and in Europe are well placed to succeed in the post-reform environment.

Primark delivered an operating profit 26% ahead of the same period last year, with an increased margin. Another 0.6 million sq ft of retail selling space was added including our first two stores in France, in Marseille and Dijon. Primark has an active schedule of store openings planned for the second half, and the pipeline of new stores for the future is as full as it has ever been. We have also announced today that we will be taking Primark to the north-east of the USA with the opening of a number of stores, the first of which we expect to begin trading towards the end of 2015.

In the immediate aftermath of last year's collapse of Rana Plaza in Bangladesh, Primark promised that it would meet its responsibilities in full and that it would pay long-term compensation to the workers employed by its supplier, New Wave Bottoms, or their dependants. Primark has worked diligently with local partners in Bangladesh to establish a rigorous, sustainable approach to compensation and has begun making long-term payments totalling US$9m. Primark also paid US$2m in short-term aid to the families of all the workers employed at Rana Plaza, most of whom were making clothes for its competitors. It has agreed a further payment of US$1m to the Rana Plaza Donors

Trust Fund (Trust Fund) chaired by the International Labour Organization bringing the total that Primark is paying to US$12m, of which US$7m was provided in last year's results and US$5m has been charged in the year to date. We support the International Labour Organization in urging other retailers sourcing from Rana Plaza to donate to the Trust Fund so that it can pay out in full to the remaining victims.

The safety of the staff we employ both directly, and indirectly through our suppliers, is a high priority for the group, and the Rana Plaza tragedy underlined the imperative for change in the Bangladeshi garment industry. Primark signed the Accord on Fire and Building Safety which was developed as a direct response to the disaster and was designed to ensure improved and assured building safety in Bangladesh. We have also completed a programme of structural assessments of factories producing for us in the country.

The recovery in Grocery profit seen in the second half of last year has continued with a substantial improvement from George Weston Foods in Australia and a higher profit from ACH. Twinings Ovaltine has consistently delivered sales and profit growth over a number of years, and has done so again this period.

Our cash flow improved for the third successive year. The cash outflow before funding in the first half had the benefit of a substantially lower working capital outflow. Capital expenditure was in line with last year although the total amount spent on new stores and extensions for Primark was more than a third higher, with an equivalent reduction in expenditure by the food businesses. This strong cash performance and a translation benefit on US dollar borrowings reduced net debt by £510m from last half year to £827m at the period end.

On 5 March we repaid US$196m of private placement financing, with an average coupon of 6.75%, which will reduce our interest charge further. There is no immediate need to replace this financing as the headroom between the group's borrowing facilities and projected levels of net debt is sufficient to meet the ongoing needs of the business.

Dividends

The board has declared an interim dividend of 9.70p per share, an increase of 4% on last year. The dividend will be paid on 4 July 2014 to shareholders registered at the close of business on 6 June 2014.

Outlook

Lower sugar prices will result, as previously indicated, in a substantial reduction in profit from Sugar this year and the current strength of sterling, if maintained, will have a greater impact on translation of overseas results in the second half. However, as Primark builds upon the success achieved in the first half and with further store expansion planned for the remainder of the year, Retail profits are expected to be well ahead. When combined with improvements in Grocery and Ingredients and a lower interest charge, we continue to expect adjusted earnings per share for the financial year to be similar to 2013.

Charles Sinclair
Chairman
23 April 2014

OPERATING REVIEW

The group as a whole has delivered a very resilient operational and financial result at a challenging time of transition for our European sugar business.

Adjusted operating profit increased by 1% to £497m in the first half, on group revenues that were 2% lower than last year at £6.2bn. At constant currency, first half profits were 2% ahead and when further adjusted for businesses disposed of last year, were 3% higher. Revenues from continuing operations at constant currency were 1% ahead.

Strong performances from Primark and Grocery and an encouraging improvement at Ingredients more than offset a substantially lower profit from Sugar. Together with the benefit of lower interest and tax charges, adjusted earnings per share increased by 10%. At a challenging time of transition for our European sugar business, the rest of the group has clearly delivered a very strong operational and financial performance.

At AB Sugar, agricultural performance was much improved, many factories achieved record results and cost savings were successfully delivered by a continuous improvement and overhead reduction programme. The profit reduction was driven by low world sugar prices and a rapid change in the EU sugar market ahead of regime reform in 2017. Our EU sugar operations are well placed to succeed in the post-reform environment with highly-efficient and well-invested factories. Africa continues to offer low-cost production and growth opportunities, and profitability in China will improve as our investment in agricultural development yields sustainable benefit.

Primark delivered on many fronts this period. Trading performance was again excellent with like-for-like growth of 4%, building on the 7% achieved in the first half last year, and with a higher operating profit margin. We opened 16 new stores and each was greeted with a high degree of excitement. The success of our stores across continental Europe is now well established and has extended to our first stores in France. From its first store opening in Spain in 2006, Primark has demonstrated that its concept can travel and we have now announced that we will be opening stores in the north-east of the USA later next year.

Grocery benefited from much-improved profitability at George Weston Foods in Australia and a stronger performance from the oils business at ACH in North America. Twinings Ovaltine achieved further growth but profit from the UK Grocery businesses was held back by lower sugar prices and volumes at Silver Spoon. With the benefit of no restructuring costs and an improved performance from yeast and bakery ingredients, profit at Ingredients rallied and, whilst there is still a long way to go to restore margins in this business to acceptable levels, good progress is being made.

The results of the prior year have been restated to reflect the adoption of the revised IAS 19 *Employee Benefits*. This had the effect of reducing the 2013 half year adjusted operating profit and adjusted earnings per share by £3m and 0.4p respectively.

SUGAR

	2014	2013
Revenue £m	**1,027**	1,323
Operating profit £m	**64**	162

Sugar revenues in the first half were 22% below last year driven by substantially lower sugar prices and by lower volumes in all markets. As a consequence, operating profit in the first half was significantly reduced even with the benefit of the non-repeat of last year's £22m charge for the mothballing of our two smallest beet sugar factories in north China.

Favourable growing conditions through the mild winter in the UK resulted in the crop continuing to grow into the new calendar year, with good beet quality and high sugar content. All factories operated very well and sugar production is estimated to be 1.32 million tonnes, a record for the period since regime reform in 2006, and compares with last year's 1.15 million tonnes. Production volumes at the Vivergo bioethanol plant in Hull have increased steadily but profitability was adversely affected by lower ethanol prices.

In Spain, the northern campaign was delayed to maximise beet development from the reduced area under cultivation in the 2013 crop year. Although the campaign commenced well, adverse weather towards the end of the period resulted in challenging harvest conditions and an interrupted campaign at our La Beñeza factory. The crop in the south is well established and growing conditions have been excellent. Production in the south is expected to be almost double that of last year, which will help to mitigate the lower volumes in the north, and we expect to produce 330,000 tonnes of beet sugar, compared with 405,000 tonnes last year. The Guadalete refinery is expected to produce 200,000 tonnes of refined cane sugar and a further 64,000 tonnes of co-refined cane sugar will be produced at the northern beet plants.

Sugar production for the Illovo season ended March 2014 increased from 1.75 million tonnes last year to 1.84 million tonnes this year. However, revenues and profits in the first half were below last year primarily due to lower prices. Domestic prices in Tanzania and South Africa were affected in particular by low-cost imports. Our business in Malawi has continued to be affected by further devaluation of the kwacha and associated high inflation in the country. In recent years Illovo has invested in the development of value-added co-products, the most recent example being the new Tanzanian distillery for potable alcohol which has consistently achieved its designed throughput levels with excellent product quality throughout the period.

All five factories in south China had good campaigns with sugar content and extraction both ahead of last year, compensating for the smaller area under cultivation. Sugar production in the south is expected to be slightly ahead of last year at 526,000 tonnes. Production in the north was seriously reduced by flooding in Heilongjiang and, with fewer factories in operation following last year's rationalisation, volumes are expected to be 116,000 tonnes. The campaigns at Qianqi and Zhangbei were both excellent with good factory throughput and higher sugar content in the beet. This year has seen a further deterioration in sugar prices as a high level of imports have left the market heavily in surplus. Significant overhead and efficiency improvements have been achieved in both regions resulting in a net improvement in the underlying operating loss.

Lower EU sales volumes and prices are expected to persist throughout the second half although, encouragingly, world sugar prices have shown some improvement recently. Sugar profits in the second half will be substantially lower than last year as a result.

AGRICULTURE

	2014	2013
Revenue £m	**625**	641
Operating profit £m	**19**	20

Revenue and operating profit in the first half were similar to last year at both constant currency and actual rates. Lower UK feed revenues were partly offset by growth in China and a strong performance at AB Vista.

Sales revenues in our UK feed business, AB Connect, were lower than last year as commodity prices eased. Pig and poultry feed saw some import price pressure and ruminant feed was in strong demand despite a plentiful supply of forage. Lower raw material prices also led to a reduction in revenue for Premier Nutrition despite premix volumes being ahead of last year. Starter feed volumes were also higher, driven by further growth in exports. Investment was made in new capacity at our highly automated production facility at Rugeley.

AB Vista delivered good sales and profit growth in the period driven by further success for Quantum Blue in South America, Asia Pacific and particularly in North America. Having recently received EU approval, Quantum Blue is now licensed for sale in all of our major markets. Successful commissioning of the feed enzyme granulation line at the extrusion plant in Evansville, Indiana, was completed in the period, providing a platform for future growth.

Frontier benefited from strong demand for seed and crop inputs. Winter wheat plantings were substantially ahead of last year and fine conditions in the autumn of 2013 enabled cereals and winter oilseed rape to become well established. However, the grain trading market was challenging in 2013, following the smallest UK wheat crop in many years, with demand being met by higher imports.

In China, although the traditional market for pigs saw some improvement, consumer concerns over food safety resulted in a softening of demand for poultry. Revenues and profit from feed sales were ahead of last year but profit was held back by a smaller sugar beet crop. Meat production in China is modernising from traditionally small, family-run concerns to large-scale commercial operations, and construction of new feed mills at Rudong and Zhenlai to supply these large integrated meat processors has progressed well.

GROCERY

	2014	2013
Revenue £m	**1,767**	1,832
Operating profit £m	**126**	96

Grocery revenue in the first half was 2% ahead of last year at constant currency, but 4% below last year at actual exchange rates. Currency movements had little net effect on adjusted operating profit which was much improved at £126m, 31% ahead of last year. The primary drivers of this profit improvement were George Weston Foods in Australia where good progress has been made, particularly in milling and baking, and at ACH Foods in the US.

Twinings Ovaltine again performed well with strong sales growth for tea, particularly in the US where teabags and K-Cups both achieved double-digit growth. We are the leading tea brand in the fast-growing K-Cup dispenser format. Further growth was driven in the UK, by green teas and infusions, and in France where we relaunched English Breakfast. Further investment was made in high-speed tea packaging equipment at Andover and we have also completed construction of a new packaging plant for Ovaltine in Nigeria which will enhance our ability to service this important developing market.

Allied Bakeries made progress in the highly competitive UK bread market with volumes and margins both ahead of last year. The Kingsmill 50/50 range continued to be the main stimulus of growth, although the much smaller Allinson brand also achieved significant gains, both brands being supported by television advertising in the period. A new bread plant was commissioned at West Bromwich as we approach the end of a major capital investment programme in our UK bakeries. This programme delivers less waste, better control of our processes, consistently high-quality bread and lower energy usage.

Jordans and Ryvita both achieved further sales growth and gained market share in their core markets. Ryvita Thins were the principal driver of the increase in the UK, buoyed by the new varieties launched last year, and production has been successfully transferred from a third party to our newly commissioned line in Poole. Jordans Country Crisp and Granola, which was relaunched in resealable packaging, also performed well. Internationally, both brands achieved strong growth with targeted marketing and good distribution gains, particularly in France and Canada. Westmill grew volumes in the ethnic wholesale market with further share gains for Lucky Boat noodles and Elephant Atta chapatti flour, while Patak's performed well for AB World Foods, both in the UK and internationally. Revenue at Silver Spoon was well below last year as a result of lost contracts and considerably lower UK sugar pricing. The impact on profit was partially mitigated by overhead cost reduction. New products resulted in further gains for Truvia, the stevia-based zero-calorie sweetener, strengthening its position as market leader in the category.

Sales at George Weston Foods in Australia were ahead of last year in local currency, driven by higher bread prices and increased meat volumes. Don KRC secured a number of incremental sales contracts with major customers, recognising our improved service levels and consistent product quality. Both businesses made progress with cost reduction, and an improved product mix further contributed to an increased baking profit. Don KRC achieved further productivity improvements which contributed to better yields at its factory in Castlemaine, and labour cost initiatives also delivered favourable results.

Sales volumes at ACH were ahead of last year, largely the result of higher corn oil demand but also with the launch of a number of new baking products, and new seasonings and flavours within the Spice Islands range. Capullo, our premium oil brand in Mexico, continued to benefit from its successful relaunch and gained both volume and market share. Profit in both the US and Mexico improved with the benefit of lower input costs.

INGREDIENTS

	2014	2013
Revenue £m	**509**	527
Operating profit £m	**15**	–

Revenue in the first half from continuing operations was 4% ahead of last year at constant currency but 3% lower at actual exchange rates. Profit from continuing operations was well ahead of last year's break-even result, and would have been £3m higher but for exchange rate movements, notably in South America. The result benefited from the absence of the one-time cost of closing dry yeast production in Italy last year, and there were early signs of improvement in yeast and bakery ingredients. Last year's results have been adjusted to reflect the disposal in August 2013 of the US whey protein business.

While many of AB Mauri's markets remain competitive, particularly Asia, a number of new initiatives have started to yield positive results. Good revenue growth was achieved across South America and cost inflation was either recovered through pricing or offset by improvements in efficiency. Revenue and profit were also ahead in North America driven by higher volumes and a focus on business development. The new yeast factory in Mexico is supplying the markets of North and Central America. Our yeast factory at Xinjiang in China is now one of the highest-quality dry yeast plants in AB Mauri and, as a result of further efficiency initiatives, amongst the lowest cost.

On 31 January 2014 AB Mauri completed the acquisition of a small bakery ingredients business operating across Western Europe which offers craft and industrial customers a range of high-quality bakery ingredients. Its integration will broaden our product range and strengthen our presence in a number of key markets.

At ABF Ingredients, growth was achieved in bakery enzymes and the development of feed enzymes, in conjunction with AB Vista, was very positive and saw strong customer demand. The new extrusion factory at Evansville, Indiana, in the US, is fully operational and products have been approved by key customers. Closure of the yeast extracts plant in China was completed with a number of contracts successfully transferred to our Hamburg facility where plant reliability has also been improved.

RETAIL

	2014	2013
Revenue £m	**2,278**	1,997
Operating profit £m	**298**	237

Primark's sales in the first half were 14% ahead of last year and profits were 26% ahead; an excellent performance by any standard.

At constant currency, sales were 13% higher, driven by 4% like-for-like sales growth, an increase in retail selling space and superior sales densities in the larger new stores. Like-for-like sales in the first eight weeks of the financial year were held back by strong comparatives in the previous year but the rest of the period, including Christmas, saw excellent trading. Spain and Portugal achieved double-digit like-for-like growth and trading in our northern continental European stores in Germany, the Netherlands, Belgium and Austria, was very strong. In December we opened our first French store in Marseille which was closely followed by Dijon in February, and early trading from both has been very encouraging.

Operating profit margin of 13.1% was higher than in the same period last year, benefiting from warehouse and distribution efficiencies and lower freight rates.

This was an active period for new store openings. Retail selling space increased by 0.6 million sq ft since the last financial year end, and by 0.7 million sq ft, or 8%, since the 2013 half year. At 1 March 2014, we were trading from 269 stores and 9.6 million sq ft of selling space. We opened 16 new stores in the period including the two stores in France with 63,000 sq ft in Marseille and 44,000 sq ft in Dijon. In Spain we opened six new stores and closed the smaller of our two stores in La Coruña and Zaragoza, bringing the total there to 39. Three further stores were added in the UK, including Crawley where we relocated to a larger site, and we also closed our small store in Leytonstone. Two new stores were added in the Netherlands and one each in Germany, Austria and Portugal.

We expect to add a further 0.5 million sq ft of selling space in this financial year, bringing the net additions for the year to 1.1 million sq ft which is substantially more than the 0.8 million achieved in 2013. The additional stores will include a further three in France, located in shopping centres in the suburbs of Paris, two of which opened in recent weeks; two additional German stores, our second in Berlin and one in Cologne; three new UK stores including a relocation in Cardiff; and we will also relocate our Plenilunio store, our first in Spain, to a location twice its size. As we opened no stores in the second half of last year, these openings will accelerate the 8% selling space growth achieved in the first half.

To support the rapid expansion of selling space in continental Europe, work is under way to increase our warehouse capacity in Germany and Spain which we expect to complete by the end of this year. Capital expenditure on new stores and refits for the full year is planned to be ahead of last year.

Looking beyond this current financial year we have a good pipeline of new stores. We announced today that, after extensive research, we have decided to take the Primark concept to consumers in the north-east of the USA. Primark has signed a lease for some 70,000 sq ft of selling space in the historic Burnham Building, which is currently being renovated, at Downtown Crossing in the heart of Boston, Massachusetts. The site was previously home to Boston's famous Filene's Department Store and is planned to open as a new Primark store towards the end of 2015. Negotiations are under way to open further stores in the north-east through to the middle of 2016. The US stores will be supported by warehousing in the region.

George Weston
Chief Executive

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**24 weeks ended 1 March 2014 £m**	24 weeks ended 2 March 2013 (restated) £m	52 weeks ended 14 September 2013 (restated) £m
Revenue	1	**6,206**	6,333	13,315
Operating costs		**(5,743)**	(5,882)	(12,240)
		463	451	1,075
Share of (loss)/profit after tax from joint ventures and associates		**(1)**	5	13
Profits less losses on disposal of non-current assets		**1**	–	–
Operating profit		**463**	456	1,088
Adjusted operating profit	1	**497**	493	1,180
Profits less losses on disposal of non-current assets		**1**	–	–
Amortisation of non-operating intangibles		**(35)**	(37)	(92)
Profits less losses on sale and closure of businesses		**–**	–	(128)
Profit before interest		**463**	456	960
Finance income		**9**	6	13
Finance expense		**(38)**	(49)	(100)
Other financial expense		**–**	(2)	(5)
Profit before taxation		**434**	411	868
Adjusted profit before taxation		**468**	448	1,088
Profits less losses on disposal of non-current assets		**1**	–	–
Amortisation of non-operating intangibles		**(35)**	(37)	(92)
Profits less losses on sale and closure of businesses		**–**	–	(128)
Taxation – UK		**(49)**	(55)	(111)
– Overseas		**(51)**	(50)	(129)
	2	**(100)**	(105)	(240)
Profit for the period		**334**	306	628
Attributable to:				
Equity shareholders		**341**	304	585
Non-controlling interests		**(7)**	2	43
Profit for the period		**334**	306	628
Basic and diluted earnings per ordinary share (pence)	3	**43.2**	38.5	74.0
Dividends per share paid and proposed for the period (pence)	4	**9.7**	9.35	32.0

References throughout this Interim Results Announcement to the restatement of data for the 24 weeks ended 2 March 2013 and the 52 weeks ended 14 September 2013 relate to the adoption of revised IAS 19 *Employee Benefits* – see note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	24 weeks ended 1 March 2014 £m	24 weeks ended 2 March 2013 (restated) £m	52 weeks ended 14 September 2013 (restated) £m
Profit for the period recognised in the income statement	**334**	306	628
Other comprehensive income			
Actuarial (losses)/gains on defined benefit schemes	**(56)**	(114)	33
Deferred tax associated with defined benefit schemes	**12**	27	(7)
Items that will not be reclassified to profit or loss	**(44)**	(87)	26
Effect of movements in foreign exchange	**(292)**	247	(114)
Net gain/(loss) on hedge of net investment in foreign subsidiaries	**38**	(57)	(20)
Deferred tax associated with movements in foreign exchange	**–**	1	2
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	–	7
Movement in cash flow hedging position	**(7)**	24	6
Deferred tax associated with movement in cash flow hedging position	**2**	(5)	(2)
Share of other comprehensive income of joint ventures and associates	**(7)**	2	–
Items that are or may be subsequently reclassified to profit or loss	**(266)**	212	(121)
Other comprehensive income for the period	**(310)**	125	(95)
Total comprehensive income for the period	**24**	431	533
Attributable to			
Equity shareholders	**80**	439	527
Non-controlling interests	**(56)**	(8)	6
Total comprehensive income for the period	**24**	431	533

CONDENSED CONSOLIDATED BALANCE SHEET

	1 March 2014 £m	2 March 2013 (restated) £m	14 September 2013 (restated) £m
Non-current assets			
Intangible assets	**1,484**	1,771	1,581
Property, plant and equipment	**4,506**	4,779	4,552
Biological assets	**88**	92	97
Investments in joint ventures	**179**	184	182
Investments in associates	**34**	39	36
Employee benefits assets	**25**	3	81
Deferred tax assets	**218**	203	273
Other receivables	**163**	154	148
Total non-current assets	**6,697**	7,225	6,950
Current assets			
Inventories	**1,650**	1,795	1,581
Biological assets	**98**	115	112
Trade and other receivables	**1,259**	1,403	1,342
Derivative assets	**31**	40	27
Cash and cash equivalents	**311**	218	362
Total current assets	**3,349**	3,571	3,424
Total assets	**10,046**	10,796	10,374
Current liabilities			
Loans and overdrafts	**(539)**	(601)	(394)
Trade and other payables	**(1,806)**	(1,923)	(1,881)
Derivative liabilities	**(51)**	(31)	(38)
Income tax	**(164)**	(132)	(166)
Provisions	**(36)**	(63)	(47)
Total current liabilities	**(2,596)**	(2,750)	(2,526)
Non-current liabilities			
Loans	**(599)**	(954)	(772)
Provisions	**(29)**	(29)	(30)
Deferred tax liabilities	**(363)**	(361)	(431)
Employee benefits liabilities	**(97)**	(191)	(96)
Total non-current liabilities	**(1,088)**	(1,535)	(1,329)
Total liabilities	**(3,684)**	(4,285)	(3,855)
Net assets	**6,362**	6,511	6,519
Equity			
Issued capital	**45**	45	45
Other reserves	**175**	175	175
Translation reserve	**234**	732	440
Hedging reserve	**(18)**	2	(13)
Retained earnings	**5,626**	5,189	5,508
Total equity attributable to equity shareholders	**6,062**	6,143	6,155
Non-controlling interests	**300**	368	364
Total equity	**6,362**	6,511	6,519

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**24 weeks ended 1 March 2014 £m**	24 weeks ended 2 March 2013 (restated) £m	52 weeks ended 14 September 2013 (restated) £m
Cash flow from operating activities				
Profit before taxation		**434**	411	868
Profits less losses on disposal of non-current assets		**(1)**	–	–
Profits less losses on sale and closure of businesses		**–**	–	128
Finance income		**(9)**	(6)	(13)
Finance expense		**38**	49	100
Other financial expense		**–**	2	5
Share of loss/(profit) after tax from joint ventures and associates		**1**	(5)	(13)
Amortisation		**46**	54	130
Depreciation		**187**	197	405
Impairment of property, plant and equipment		**–**	8	27
Impairment of operating intangibles		**–**	4	4
Impairment of goodwill		**–**	10	10
Net change in the fair value of biological assets		**(10)**	(21)	(26)
Share-based payment expense		**6**	6	15
Pension costs less contributions		**3**	1	(24)
Increase in inventories		**(126)**	(239)	(112)
Decrease/(increase) in receivables		**36**	(128)	(158)
Increase in payables		**9**	116	173
Purchases less sales of current biological assets		**–**	–	(2)
(Decrease)/increase in provisions		**(9)**	–	11
Cash generated from operations		**605**	459	1,528
Income taxes paid		**(97)**	(109)	(252)
Net cash from operating activities		**508**	350	1,276
Cash flows from investing activities				
Dividends received from joint ventures and associates		**3**	4	11
Purchase of property, plant and equipment		**(321)**	(323)	(593)
Purchase of intangibles		**(18)**	(12)	(22)
Purchase of non-current biological assets		**–**	(1)	(1)
Sale of property, plant and equipment		**11**	1	15
Purchase of subsidiaries, joint ventures and associates		**(7)**	(43)	(75)
Sale of subsidiaries, joint ventures and associates		**–**	13	35
Loans to joint ventures		**(15)**	(4)	(4)
Purchase of non-controlling interests		**–**	(1)	(1)
Interest received		**6**	5	10
Net cash from investing activities		**(341)**	(361)	(625)
Cash flows from financing activities				
Dividends paid to non-controlling interests		**(8)**	(11)	(29)
Dividends paid to equity shareholders	4	**(179)**	(158)	(232)
Interest paid		**(33)**	(39)	(107)
Financing:				
Increase/(decrease) in short-term loans		**68**	86	(258)
Decrease in long-term loans		**(11)**	(12)	(23)
Sale of shares in subsidiary undertakings to non-controlling interests		**–**	–	1
Movements from changes in own shares held		**–**	–	(10)
Net cash from financing activities		**(163)**	(134)	(658)
Net increase/(decrease) in cash and cash equivalents		**4**	(145)	(7)
Cash and cash equivalents at the beginning of the period		**243**	245	245
Effect of movements in foreign exchange		**(15)**	10	5
Cash and cash equivalents at the end of the period	6	**232**	110	243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 14 September 2013 (restated)		45	175	440	(13)	5,508	6,155	364	6,519
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	341	341	(7)	334
Actuarial losses on defined benefit schemes		–	–	–	–	(55)	(55)	(1)	(56)
Deferred tax associated with defined benefit schemes		–	–	–	–	12	12	–	12
Items that will not be reclassified to profit or loss		–	–	–	–	(43)	(43)	(1)	(44)
Effect of movements in foreign exchange		–	–	(244)	–	–	(244)	(48)	(292)
Net gain on hedge of net investment in foreign subsidiaries		–	–	38	–	–	38	–	38
Movement in cash flow hedging position		–	–	–	(7)	–	(7)	–	(7)
Deferred tax associated with movement in cash flow hedging position		–	–	–	2	–	2	–	2
Share of other comprehensive income of joint ventures and associates		–	–	–	–	(7)	(7)	–	(7)
Items that are or may be subsequently reclassified to profit or loss		–	–	(206)	(5)	(7)	(218)	(48)	(266)
Other comprehensive income		–	–	(206)	(5)	(50)	(261)	(49)	(310)
Total comprehensive income		–	–	(206)	(5)	291	80	(56)	24
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(179)	(179)	–	(179)
Net movement in own shares held		–	–	–	–	6	6	–	6
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8)	(8)
Total transactions with owners		–	–	–	–	(173)	(173)	(8)	(181)
Balance as at 1 March 2014		45	175	234	(18)	5,626	6,062	300	6,362
Balance as at 15 September 2012 (restated)		45	175	532	(17)	5,120	5,855	387	6,242
Total comprehensive income									
Profit for the period recognised in the income statement (restated)		–	–	–	–	304	304	2	306
Actuarial losses on defined benefit schemes (restated)		–	–	–	–	(114)	(114)	–	(114)
Deferred tax associated with defined benefit schemes (restated)		–	–	–	–	27	27	–	27
Items that will not be reclassified to profit or loss		–	–	–	–	(87)	(87)	–	(87)
Effect of movements in foreign exchange		–	–	250	–	–	250	(3)	247
Net loss on hedge of net investment in foreign subsidiaries		–	–	(50)	–	–	(50)	(7)	(57)
Deferred tax associated with movements in foreign exchange		–	–	–	–	1	1	–	1
Movement in cash flow hedging position		–	–	–	24	–	24	–	24
Deferred tax associated with movement in cash flow hedging position		–	–	–	(5)	–	(5)	–	(5)
Share of other comprehensive income of joint ventures and associates		–	–	–	–	2	2	–	2
Items that are or may be subsequently reclassified to profit or loss		–	–	200	19	3	222	(10)	212
Other comprehensive income		–	–	200	19	(84)	135	(10)	125
Total comprehensive income		–	–	200	19	220	439	(8)	431
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(158)	(158)	–	(158)
Net movement in own shares held		–	–	–	–	7	7	–	7
Dividends paid to non-controlling interests		–	–	–	–	–	–	(11)	(11)
Total transactions with owners		–	–	–	–	(151)	(151)	(11)	(162)
Balance as at 2 March 2013		45	175	732	2	5,189	6,143	368	6,511

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Note	Attributable to equity shareholders							
		Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 15 September 2012 (restated)		45	175	532	(17)	5,120	5,855	387	6,242
Total comprehensive income									
Profit for the period recognised in the income statement (restated)		–	–	–	–	585	585	43	628
Actuarial gains/(losses) on defined benefit schemes (restated)		–	–	–	–	35	35	(2)	33
Deferred tax associated with defined benefit schemes (restated)		–	–	–	–	(7)	(7)	–	(7)
Items that will not be reclassified to profit or loss		–	–	–	–	28	28	(2)	26
Effect of movements in foreign exchange		–	–	(86)	–	–	(86)	(28)	(114)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(13)	–	–	(13)	(7)	(20)
Deferred tax associated with movements in foreign exchange		–	–	–	–	2	2	–	2
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	7	–	–	7	–	7
Movement in cash flow hedging position		–	–	–	6	–	6	–	6
Deferred tax associated with movement in cash flow hedging position		–	–	–	(2)	–	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	(92)	4	2	(86)	(35)	(121)
Other comprehensive income		–	–	(92)	4	30	(58)	(37)	(95)
Total comprehensive income		–	–	(92)	4	615	527	6	533
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(232)	(232)	–	(232)
Net movement in own shares held		–	–	–	–	5	5	–	5
Dividends paid to non-controlling interests		–	–	–	–	–	–	(29)	(29)
Total transactions with owners		–	–	–	–	(227)	(227)	(29)	(256)
Balance as at 14 September 2013		45	175	440	(13)	5,508	6,155	364	6,519

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Operating segments

The group discloses five operating segments, as described below. These are the group's operating divisions, based on the group's management and internal reporting structure, which combine businesses with common characteristics. The board is the chief operating decision maker.

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

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, cereals, ethnic foods, herbs & spices, 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 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		
	24 weeks ended 1 March 2014 £m	24 weeks ended 2 March 2013 £m	52 weeks ended 14 September 2013 £m	**24 weeks ended 1 March 2014 £m**	24 weeks ended 2 March 2013 (restated) £m	52 weeks ended 14 September 2013 (restated) £m
Operating segments						
Grocery	**1,767**	1,832	3,840	**126**	96	230
Sugar	**1,027**	1,323	2,677	**64**	162	434
Agriculture	**625**	641	1,410	**19**	20	47
Ingredients	**509**	527	1,088	**15**	–	1
Retail	**2,278**	1,997	4,273	**298**	237	513
Central	**–**	–	–	**(25)**	(24)	(51)
	6,206	6,320	13,288	**497**	491	1,174
Businesses disposed:						
Ingredients	**–**	13	27	**–**	2	6
	6,206	6,333	13,315	**497**	493	1,180
Geographical information						
United Kingdom	**2,603**	2,676	5,728	**267**	341	710
Europe & Africa	**1,964**	1,849	3,790	**149**	138	386
The Americas	**610**	607	1,282	**64**	50	103
Asia Pacific	**1,029**	1,188	2,488	**17**	(38)	(25)
	6,206	6,320	13,288	**497**	491	1,174
Businesses disposed:						
The Americas	**–**	13	27	**–**	2	6
	6,206	6,333	13,315	**497**	493	1,180

1. Operating segments for the 24 weeks ended 1 March 2014

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,770	1,072	625	553	2,278	(92)	6,206
Internal revenue	(3)	(45)	–	(44)	–	92	–
Revenue from external customers	1,767	1,027	625	509	2,278	–	6,206
Adjusted operating profit before joint ventures and associates	121	78	16	10	298	(25)	498
Share of profit after tax from joint ventures and associates	5	(14)	3	5	–	–	(1)
Adjusted operating profit	126	64	19	15	298	(25)	497
Amortisation of non-operating intangibles	(23)	(9)	(2)	(1)	–	–	(35)
Profit less losses on disposal of non-current assets	2	–	–	–	(1)	–	1
Profit before interest	105	55	17	14	297	(25)	463
Finance income						9	9
Finance expense						(38)	(38)
Taxation						(100)	(100)
Profit for the period	105	55	17	14	297	(154)	334
Segment assets (excluding joint ventures and associates)	2,550	2,515	343	1,102	2,556	213	9,279
Investments in joint ventures and associates	36	24	102	51	–	–	213
Segment assets	2,586	2,539	445	1,153	2,556	213	9,492
Cash and cash equivalents						311	311
Deferred tax assets						218	218
Employee benefits assets						25	25
Segment liabilities	(510)	(490)	(121)	(185)	(475)	(141)	(1,922)
Loans and overdrafts						(1,138)	(1,138)
Income tax						(164)	(164)
Deferred tax liabilities						(363)	(363)
Employee benefits liabilities						(97)	(97)
Net assets	2,076	2,049	324	968	2,081	(1,136)	6,362
Non-current asset additions	61	48	9	26	168	1	313
Depreciation	49	42	3	20	71	2	187
Amortisation	31	10	3	2	–	–	46

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,603	1,964	610	1,029	6,206
Segment assets	4,025	2,843	958	1,666	9,492
Non-current asset additions	116	149	18	30	313
Depreciation	88	49	13	37	187
Amortisation	10	10	20	6	46

1. Operating segments for the 24 weeks ended 2 March 2013 (restated)

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,836	1,390	641	583	1,997	(127)	6,320
Internal revenue	(4)	(67)	–	(56)	–	127	–
External revenue from continuing businesses	1,832	1,323	641	527	1,997	–	6,320
Businesses disposed	–	–	–	13	–	–	13
Revenue from external customers	1,832	1,323	641	540	1,997	–	6,333
Adjusted operating profit before joint ventures and associates	92	168	16	(3)	237	(24)	486
Share of profit after tax from joint ventures and associates	4	(6)	4	3	–	–	5
Businesses disposed	–	–	–	2	–	–	2
Adjusted operating profit	96	162	20	2	237	(24)	493
Amortisation of non-operating intangibles	(9)	(11)	–	(17)	–	–	(37)
Profit before interest	87	151	20	(15)	237	(24)	456
Finance income						6	6
Finance expense						(49)	(49)
Other financial expense						(2)	(2)
Taxation						(105)	(105)
Profit for the period	87	151	20	(15)	237	(174)	306
Segment assets (excluding joint ventures and associates)	2,837	2,810	368	1,428	2,532	174	10,149
Investments in joint ventures and associates	31	44	91	57	–	–	223
Segment assets	2,868	2,854	459	1,485	2,532	174	10,372
Cash and cash equivalents						218	218
Deferred tax assets						203	203
Employee benefits assets						3	3
Segment liabilities	(566)	(607)	(136)	(193)	(418)	(126)	(2,046)
Loans and overdrafts						(1,555)	(1,555)
Income tax						(132)	(132)
Deferred tax liabilities						(361)	(361)
Employee benefits liabilities						(191)	(191)
Net assets	2,302	2,247	323	1,292	2,114	(1,767)	6,511
Non-current asset additions	65	96	6	34	116	1	318
Depreciation	50	44	3	31	67	2	197
Amortisation	18	17	1	18	–	–	54
Impairment of property, plant and equipment	–	8	–	–	–	–	8
Impairment of operating intangibles	–	4	–	–	–	–	4
Impairment of goodwill	–	10	–	–	–	–	10

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,676	1,849	620	1,188	6,333
Segment assets	3,935	3,108	1,149	2,180	10,372
Non-current asset additions	122	118	26	52	318
Depreciation	88	52	12	45	197
Amortisation	16	11	14	13	54
Impairment of property, plant and equipment	–	–	–	8	8
Impairment of operating intangibles	–	–	–	4	4
Impairment of goodwill	–	–	–	10	10

1. Operating segments for the 52 weeks ended 14 September 2013 (restated)

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,851	2,808	1,410	1,193	4,273	(247)	13,288
Internal revenue	(11)	(131)	–	(105)	–	247	–
External revenue from continuing businesses	3,840	2,677	1,410	1,088	4,273	–	13,288
Businesses disposed	–	–	–	27	–	–	27
Revenue from external customers	3,840	2,677	1,410	1,115	4,273	–	13,315
Adjusted operating profit before joint ventures and associates	222	449	35	(7)	513	(51)	1,161
Share of profit after tax from joint ventures and associates	8	(15)	12	8	–	–	13
Businesses disposed	–	–	–	6	–	–	6
Adjusted operating profit	230	434	47	7	513	(51)	1,180
Amortisation of non-operating intangibles	(19)	(21)	(1)	(51)	–	–	(92)
Profits less losses on sale and closure of businesses	–	(15)	–	(113)	–	–	(128)
Profit before interest	211	398	46	(157)	513	(51)	960
Finance income						13	13
Finance expense						(100)	(100)
Other financial expense						(5)	(5)
Taxation						(240)	(240)
Profit for the period	211	398	46	(157)	513	(383)	628
Segment assets (excluding joint ventures and associates)	2,666	2,432	319	1,159	2,677	187	9,440
Investments in joint ventures and associates	33	34	99	52	–	–	218
Segment assets	2,699	2,466	418	1,211	2,677	187	9,658
Cash and cash equivalents						362	362
Deferred tax assets						273	273
Employee benefits assets						81	81
Segment liabilities	(539)	(398)	(121)	(207)	(619)	(112)	(1,996)
Loans and overdrafts						(1,166)	(1,166)
Income tax						(166)	(166)
Deferred tax liabilities						(431)	(431)
Employee benefits liabilities						(96)	(96)
Net assets	2,160	2,068	297	1,004	2,058	(1,068)	6,519
Non-current asset additions	165	158	10	70	220	6	629
Depreciation	108	86	7	49	151	4	405
Amortisation	37	37	3	53	–	–	130
Impairment of property, plant and equipment	–	8	–	19	–	–	27
Impairment of operating intangibles	–	4	–	–	–	–	4
Impairment of goodwill	–	10	–	–	–	–	10
Impairment of property, plant and equipment on closure of business	–	3	–	74	–	–	77
Impairment of goodwill on sale of business	–	14	–	–	–	–	14

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,728	3,790	1,309	2,488	13,315
Segment assets	3,863	3,096	1,022	1,677	9,658
Non-current asset additions	260	209	51	109	629
Depreciation	177	102	28	98	405
Amortisation	35	26	39	30	130
Impairment of property, plant and equipment	–	19	–	8	27
Impairment of operating intangibles	–	–	–	4	4
Impairment of goodwill	–	–	–	10	10
Impairment of property, plant and equipment on closure of business	–	–	–	77	77
Impairment of goodwill on sale of business	–	–	–	14	14

2. Income tax expense

	24 weeks ended 1 March 2014 £m	24 weeks ended 2 March 2013 (restated) £m	52 weeks ended 14 September 2013 (restated) £m
Current tax expense			
UK – corporation tax at 22.1%/23.5%/23.5%	**51**	56	143
Overseas – corporation tax	**49**	51	145
UK – overprovided in prior periods	**–**	–	(9)
Overseas – overprovided in prior periods	**–**	–	(10)
	100	107	269
Deferred tax expense			
UK deferred tax	**(2)**	(1)	(23)
Overseas deferred tax	**2**	(1)	2
Overseas – overprovided in prior periods	**–**	–	(8)
	–	(2)	(29)
Total income tax expense in income statement	**100**	105	240
Reconciliation of effective tax rate			
Profit before taxation	**434**	411	868
Less share of loss/(profit) from joint ventures and associates	**1**	(5)	(13)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**435**	406	855
Nominal tax charge at UK corporation tax rate of 22.1%/23.5%/23.5%	**96**	95	201
Different tax rates on overseas earnings	**(7)**	(2)	(34)
Expenses not deductible for tax purposes	**5**	9	24
Disposal of assets covered by tax exemptions or unrecognised capital losses	**–**	–	39
Deferred tax not recognised	**6**	3	37
Adjustments in respect of prior periods	**–**	–	(27)
	100	105	240
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	**(12)**	(27)	7
Deferred tax associated with movement in cash flow hedging position	**(2)**	5	2
Deferred tax associated with movements in foreign exchange	**–**	(1)	(2)
	(14)	(23)	7

Following the enactment of legislation by the UK government to reduce the corporation tax rate from 23% to 21% with effect from 1 April 2014 and to reduce it further to 20% with effect from 1 April 2015, UK deferred tax has been calculated using a rate of 20%. This legislation was enacted before 14 September 2013 and accordingly the impact of these rate reductions on deferred tax was reflected in the group's financial statements for the financial year ended 14 September 2013.

3. Earnings per ordinary share

	24 weeks ended 1 March 2014 pence	24 weeks ended 2 March 2013 (restated) pence	52 weeks ended 14 September 2013 (restated) pence
Adjusted earnings per share	**45.8**	41.5	98.1
Disposal of non-current assets	**0.1**	–	–
Sale and closure of businesses	**–**	–	(16.2)
Tax effect on above adjustments	**–**	–	(0.8)
Amortisation of non-operating intangibles	**(4.4)**	(4.7)	(11.7)
Tax credit on non-operating intangibles amortisation and goodwill	**1.3**	1.3	3.7
Non-controlling interests' share of amortisation of non-operating intangibles net of tax	**0.4**	0.4	0.9
Earnings per ordinary share	**43.2**	38.5	74.0

4. Dividends

	24 weeks ended 1 March 2014 pence	24 weeks ended 2 March 2013 pence	52 weeks ended 14 September 2013 pence
Per share			
2012 final	**–**	20.00	20.00
2013 interim	**–**	–	9.35
2013 final	**22.65**	–	–
	22.65	20.00	29.35

	£m	£m	£m
Total			
2012 final	**–**	158	158
2013 interim	**–**	–	74
2013 final	**179**	–	–
	179	158	232

The 2013 final dividend of 22.65p per share was approved on 6 December 2013 and totalled £179m when paid on 10 January 2014. The 2014 interim dividend of 9.70p per share, total value of £77m, will be paid on 4 July 2014 to shareholders on the register on 6 June 2014.

5. Acquisitions and disposals

A small bakery ingredients business in Western Europe was acquired during the period. The cash outflow on purchase of subsidiaries, joint ventures and associates in the cash flow statement of £7m comprised £1m of cash consideration net of cash and cash equivalents acquired and a £6m investment in joint ventures. There were no disposals in the period.

6. Analysis of net debt

	At 14 September 2013 £m	Cash flow £m	Acquisitions £m	Non-cash items £m	Exchange adjustments £m	**At 1 March 2014 £m**
Cash at bank and in hand, cash equivalents and overdrafts	243	4	–	–	(15)	**232**
Short-term borrowings	(275)	(68)	(4)	(123)	10	**(460)**
Loans over one year	(772)	11	–	123	39	**(599)**
	(804)	(53)	(4)	–	34	**(827)**

Cash and cash equivalents comprise cash balances, call deposits and investments with original maturities of three months or less. Bank overdrafts of £79m that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Non-cash items represent the changing maturity of long-term borrowings as they become short-term.

7. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the 52 weeks ended 14 September 2013. There have been no material changes in these relationships in the 24 weeks ended 1 March 2014 or up to the date of this report.

No related party transactions have taken place in the first 24 weeks of the current financial year that have materially affected the financial position or the performance of the group during that period.

8. Basis of preparation

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 24 weeks ended 1 March 2014 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in associates and jointly controlled entities.

The consolidated financial statements of the group for the 52 weeks ended 14 September 2013 are available upon request from the Company's registered office at 10 Grosvenor Street, London W1K 4QY or at www.abf.co.uk.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the 52 weeks ended 14 September 2013.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 14 September 2013.

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 condensed consolidated interim financial statements. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating review. Note 24 on pages 113 to 123 of the 2013 annual report provides details of the group's policy on managing its financial and commodity risks.

The group has considerable financial resources, good access to debt markets, a diverse range of businesses and a wide geographic spread. It is therefore well placed to continue to manage business risks successfully despite the current economic uncertainty.

The 24-week period for the condensed consolidated interim financial statements of the Company means that the second half of the year is usually a 28-week period, and the two halves of the reporting year are therefore not of equal length. For the Retail segment, Christmas, falling in the first half of the year, is a particularly important trading period. For the Sugar segment, the balance sheet, and working capital in particular, is strongly influenced by seasonal growth patterns for both sugar beet and sugar cane, which vary significantly in the markets in which the group operates.

The condensed consolidated interim financial statements are unaudited but have been subject to an independent review by the auditor and were approved by the board of directors on 23 April 2014. They do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the 52 weeks ended 14 September 2013 have been abridged from the group's 2013 financial statements and are not the Company's statutory financial statements for that period. Those financial statements have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This interim results announcement has been prepared solely to provide additional information to shareholders as a body, to assess the group's strategies and the potential for those strategies to succeed. This interim results announcement should not be relied upon by any other party or for any other purpose.

9. Significant accounting policies

The accounting policies applied by the group in these condensed consolidated interim financial statements are substantially the same as those applied by the group in its consolidated financial statements for the 52 weeks ended 14 September 2013. There have been a number of minor changes to standards which become applicable for the year ending 13 September 2014, none of which have been assessed as having a significant impact on the group.

The revised IAS 19 *Employee Benefits* is applicable to the group for the first time in 2014 and makes changes to measurement and disclosure requirements for defined benefit post-employment arrangements. The expected return on plan assets and the interest charge on scheme liabilities have been replaced by net interest income or expense calculated by applying the liability discount rate to the net pension asset or liability. Scheme administration costs are expensed as incurred and the reserve for scheme costs, which was previously included in scheme liabilities, has been removed. IAS 19 service cost is charged to operating profit and pension financing costs are charged to other financial expense.

The impact of adoption of the revised standard, which has been applied with retrospective effect from the 2012 balance sheet date, is set out below. The impact of all charges is reflected in retained earnings in equity and is wholly attributable to equity shareholders.

In the 2012 balance sheet, the £95m net pension liability decreased by £28m to £67m and net deferred tax liabilities of £177m increased by £7m to £184m.

	24 weeks ended 2 March 2013		52 weeks ended 14 September 2013	
	(restated) £m	(previously reported) £m	(restated) £m	(previously reported) £m
Income statement				
Adjusted operating profit	493	496	1,180	1,185
Operating profit	456	459	1,088	1,093
Other financial expense	(2)	(1)	(5)	(2)
Adjusted profit before taxation	448	452	1,088	1,096
Profit before taxation	411	415	868	876
Taxation	(105)	(106)	(240)	(242)
Profit for the period	306	309	628	634
	pence	pence	pence	pence
Basic earnings per share	38.5	38.9	74.0	74.8
Adjusted earnings per share	41.5	41.9	98.1	98.9
	£m	£m	£m	£m
Other comprehensive income				
Actuarial (losses)/gains on defined benefit schemes	(114)	(121)	33	24
Deferred tax associated with defined benefit schemes	27	28	(7)	(5)
Balance sheet				
Net employee benefits balances	(188)	(219)	(15)	(44)
Net deferred tax balances	(158)	(151)	(158)	(151)

These adjustments had no effect on net cash from operating activities but the cash flow statement does reflect the above adjustments to profit before tax offset by an equal and opposite adjustment to pension costs less contributions.

CAUTIONARY STATEMENTS, RISKS AND UNCERTAINTIES, AND RESPONSIBILITY STATEMENT

Cautionary statements

This Interim Results Announcement contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Risks and and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the principal risks facing the group's businesses at an operational level are included on pages 56 to 61 of the group's statutory financial statements for the 52 weeks ended 14 September 2013, as part of the corporate governance report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the Operating review as appropriate.

Responsibility statement

The Interim Results Announcement complies with the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority in respect of the requirement to produce a half yearly financial report.

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 as adopted by the EU;
- this Interim Results Announcement includes a fair review of the important events during the first half and their impact on the financial information, and a description of the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- this Interim Results Announcement includes a fair review of the disclosure of related party transactions and changes therein as required by DTR 4.2.8R.

On behalf of the board

George Weston
Chief Executive

John Bason
Finance Director

Charles Sinclair
Chairman

23 April 2014

INDEPENDENT REVIEW REPORT TO ASSOCIATED BRITISH FOODS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Results Announcement for the 24 weeks ended 1 March 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Interim Results Announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this Interim Results Announcement has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Results Announcement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of *Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Results Announcement for the 24 weeks ended 1 March 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Richard Pinckard
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

23 April 2014

COMPANY DIRECTORY

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

Company registered in England
number 293262

Company Secretary
Paul Lister

Registrar and transfer office
Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Auditors
KPMG LLP
Chartered Accountants

Bankers
Barclays Bank plc
Lloyds Banking Group plc
The Royal Bank of Scotland plc

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Panmure Gordon & Co
One New Change
London EC4M 9AF

Website
www.abf.co.uk

Directors
Charles Sinclair, Chairman*√
George G Weston, Chief Executive
John G Bason, Finance Director
Emma Adamo
Tim Clarke*√†
Lord Jay of Ewelme, GCMG*‡√†
Javier Ferrán*‡√†
Peter Smith*‡√†

* member of the Remuneration committee

‡ member of the Audit committee

√ member of the Nomination committee

† independent non-executive director

Tim Clarke is the Senior Independent Director

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

Tel + 44 (0) 20 7399 6500
Fax + 44 (0) 20 7399 6580

Design and production
CONRAN DESIGN GROUP