Associated British Foods plc

FOR RELEASE 7 NOVEMBER 2023

# Annual Results Announcement

**Year ended 16 September 2023**

FOR RELEASE 7 NOVEMBER 2023

## Associated British Foods plc results for the 52 weeks ended 16 September 2023

Financial Headlines

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| Group revenue | **£19,750m** | £16,997m | +16% | +15% |
| Adjusted operating profit | **£1,513m** | £1,435m | +5% | +4% |
| Adjusted profit before tax | **£1,473m** | £1,356m | +9% | |
| Adjusted earnings per share | **141.8p** | 131.1p | +8% | |
| Operating profit | **£1,383m** | £1,178m | +17% | |
| Profit before tax | **£1,340m** | £1,076m | +25% | |
| Basic earnings per share | **134.2p** | 88.6p | +51% | |
| Gross investment | **£1,171m** | £930m | +26% | |
| Free cash flow | **£269m** | £(84)m | | |
| Net cash before lease liabilities | **£895m** | £1,488m | | |
| Total net debt | **£2,265m** | £1,764m | | |
| Return on Average Capital Employed (ROACE) | **13.6%** | 14.0% | | |
| Total dividends per share | **60.0p** | 43.7p | +37% | |

### Performance

- Strong performance in demanding environment
  - Significant growth in Group sales driven in large part by pricing actions
  - Resilient growth in Group adjusted operating profit
- Continued momentum across Retail
  - Revenues well ahead at £9.0bn, supported by selective pricing and well received ranges
  - Adjusted operating profit 3% lower at £735m with margin of 8.2% reflecting our decisions on pricing
  - Space expansion on track with 27 new stores in the year
  - Continued investment in digital capability with completion of enhanced website rollout and Click + Collect expansion
- Significant profit growth at Ingredients
- Good growth in Grocery led by international brands, US focused brands and recovery in Allied Bakeries
- Sugar sales well ahead, profitability ahead but impacted by more challenging British Sugar crop conditions and Vivergo
- Lower profitability at Agriculture due to tough market conditions
- Investment of £1.2bn with a number of strategic initiatives driving increased capacity and capability
- Good progress on ESG priorities
- Free cash flow of £269m with higher profit, offset by higher capital investment and reduced working capital outflow

### Shareholder returns

- Initial £500m buyback programme concluded end of October. Additional £500m buyback programme announced
- Total dividends of 60.0p per share up 37% comprising interim of 14.2p per share, final proposed of 33.1p per share and special dividend of 12.7p per share

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

"At the outset of this financial year the Group was facing very significant economic challenges caused in part by major geo-political events. Looking back on the year, it is clear to me that the Group performed extremely well and is as a result now well positioned for the year ahead.

Trading at Primark was excellent under the circumstances. At the beginning of the year we implemented selective price increases partially to protect profitability, on the grounds that the significant input cost inflation was temporary. That careful pricing delivered as intended, with customers continuing to shop with us enthusiastically. Profitability in our food businesses moved ahead as a result of the appeal of our products and the strength of our brands, both of which supported us in the recovery of high levels of input cost inflation without disrupting our customer relationships.

Although consumer demand remains uncertain, Primark is as well placed as it has ever been. We continue to believe that Primark's offer is very attractive not just to existing customers but also to new customers engaged by our digital platform, new store openings, and word of mouth which remains as powerful as ever. With Primark margin now moving back to its historic levels, we view the future for this business with confidence. Our food businesses are also in very good shape, and our Sugar business especially should see much better profitability in the year ahead."

The Group has defined, and outlined the purpose of, its Alternative performance measures (APMs) in note 13. These measures are used within the Financial Headlines and in this Annual Results Announcement.

References to growth in the following commentary are based on constant currency unless stated otherwise.

For further information please contact:

**Associated British Foods:**
Tel: 020 7399 6545

Eoin Tonge, Finance Director
Chris Barrie, Corporate Affairs Director

**Citigate Dewe Rogerson:**
Tel: 020 7638 9571

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|---|---|
| Holly Gillis | Tel: 07940 797560 |
| Jos Bieneman | Tel:07834 336 650 |
| Angharad Couch | Tel: 07507 643 004 |


There will be an analyst and investor presentation at 09.00am GMT today which will be streamed online and accessed via our website here.

## Notes to Editors

Associated British Foods is a diversified international food, ingredients and retail group with sales of £20bn and 133,000 employees in 55 countries. It has significant businesses in Europe, Africa, the Americas, Asia and Australia.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for long-term profitable growth. We look to achieve this through a combination of growth of existing businesses, acquisition of complementary new businesses and achievement of high levels of operating efficiency.

# Annual Results Announcement

For the 52 weeks ended 16 September 2023

## Summary

The Group performed very well in the financial year despite significant inflationary and other macro-economic pressures. Group revenue increased to £19.8bn, 16% higher than the previous year at actual exchange rates and 15% higher at constant currency. This increase in revenue was largely due to price increases across our businesses to mitigate high levels of inflation. As the financial year progressed, we saw the rate of inflation ease. Adjusted operating profit rose to £1,513m, 5% higher at actual exchange rates and 4% at constant currency. Operating profit for the Group of £1,383m was 17% ahead at actual rates and is stated after exceptional charges of £109m (2022 - £206m). Adjusted profit before tax rose by 9% at actual rates to £1,473m and adjusted earnings per share increased by 8% to 141.8p.

Grocery revenues were well ahead of last year largely as a result of price increases to mitigate inflation. Our international brands – Twinings, Ovaltine, Blue Dragon, Patak's, Jordans and Mazzetti – generally traded well, with particularly strong sales in the US. Our US regional brands and businesses also traded well. In the UK the performance of Allied Bakeries improved considerably due to higher volumes and stronger pricing and the financial losses in this business reduced as a result.

Our Ingredients businesses had a very good year with revenues and profit significantly ahead. AB Mauri delivered a very strong performance, particularly in the US. We continued to invest in our ABF Ingredients' speciality ingredients businesses. Agriculture had a more challenging year with declines in the compound feed markets in the UK and China. AB Vista and our dairy businesses improved and we continue to invest in building expertise in these areas.

Sugar had a good year considering the impacts of challenging weather in both Europe and Africa. British Sugar production was significantly down after poor weather conditions reduced beet yields and the business had to obtain expensive alternative sources of supply to make good the resulting production shortfall. Illovo, our African sugar business, had a much improved year and made further progress in developing local routes to market. Vivergo made a substantial loss for the year as a whole but profitability improved markedly in the course of the year.

Full year revenues at Retail rose significantly, increasing by 17% to £9.0bn at actual rates and 15% on a constant currency basis. Trading was much better than we expected at the start of the year when volatile inflation had threatened to disrupt consumer spending. However, the strength of the Primark offer, and our decision to pass on only part of our input cost increases, stood us in good stead with our customers. Although unseasonal weather was a feature of our performance, particularly in the second half, trading remained generally robust. Adjusted operating profit proved resilient as a consequence despite the high levels of input cost inflation in the year. Our space expansion continued, both in Europe and the US, and benefits of the restructuring of our German estate are starting to become visible. We continue to create a more coherent and powerful digital platform for Primark with investment in numerous capabilities including completion of the roll-out of the enhanced website in all markets, and the extension by range and geography of our UK Click + Collect trial.

We made further progress in our ESG initiatives with significant investments in decarbonisation at Sugar, and in water and effluent projects in Ingredients. In Primark we progressed a number of Primark Cares initiatives including increasing the proportion of recycled or more sustainably sourced materials used in our clothing.

Gross investment stepped up to £1.2bn in the financial year reflecting the many strategic investments made in our Grocery, Ingredients and Sugar divisions as well as a step-up in the store and technology roll-out in Primark. We made a number of small acquisitions for a total cash payment of £94m, in particular in our Agriculture division to expand the strength and breadth of our offer to the dairy sector.

The Group generated a free cash inflow of £269m with higher profit offset by the increased capital expenditure. There was a working capital outflow in the year predominantly reflecting the impact of inflation. After payment of dividends of £345m and the share buyback cash outflow of £448m, the Group cash outflow was £534m, leaving net cash before lease liabilities of £895m and net debt after lease liabilities of £2,265m.

## Capital structure and shareholder returns

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

During the financial year we executed £446m of a £500m share buyback programme with the remaining amount being completed recently. At the end of the financial year the financial leverage ratio was just under 1.0 times. The Group continues to prioritise investment in its businesses, and we expect to increase spend in each of the next few years to slightly above last year's level. Nevertheless, given the outlook for the Group, the strength of the balance sheet and the underlying cash generation of the business, the Board has decided to continue to return additional capital to shareholders. Therefore, the Group will continue with a buyback programme, targeting an additional amount of £500m over the next 12 months. In addition, the Group is declaring a special dividend of 12.7p per share.

The Board is proposing a final dividend of 33.1p per share which together with the special dividend will be paid on 12 January 2024 to shareholders on the register on 15 December 2023. Taken with the interim dividend of 14.2p per share, the aggregate total dividend equates to 60.0p per share, 37% higher than the total dividend of 43.7p in 2022.

## Outlook

Whilst the environment is still challenging for the consumer, inflationary pressures have eased and there is less volatility than there was 12 months ago. The Group is well positioned as a result.

At Primark, we believe our trading performance demonstrates the enduring strength of our appeal to customers across all markets. We continue to invest in both our existing store estate and in new stores and in our digital infrastructure. We expect further growth in sales next year driven by new selling space expansion of some 1 million sq ft and modest levels of like-for-like sales growth. This like-for-like growth will be underpinned by our value proposition, our product relevance and stretch, our increasingly effective digital platform and some limited pricing. Lower material costs and lower freight costs should result in a substantial recovery in gross margin and overall we expect Primark adjusted operating profit margin to recover strongly. At this early stage we believe that the adjusted operating profit margin will be above 10% with further improvement dependent on levels of consumer demand.

In our food businesses, we expect stability across our Grocery division as inflation recedes and as we step up our investment in marketing in our international brands. In Ingredients we anticipate a modest decline in sales and profit as we consolidate following a year of very strong growth and we invest to enhance capabilities. We expect Agriculture to move forward as markets improve and it integrates and leverages the acquisitions of the last two years. We continue to expect the broader Sugar portfolio to deliver a substantial improvement in profitability in this new financial year, driven by a marked improvement in the performance of British Sugar with an anticipated better UK sugar beet crop, and a significant reduction in losses at Vivergo.

Strong cash generation will be driven by higher profitability, lower working capital, lower levels of cash tax payable and pension contributions, partially offset by higher capital investment. We look forward to a year of meaningful progress.

# Operating review

## Grocery

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| **Revenue £m** | **4,198** | 3,735 | +12% | +11% |
| **Adjusted operating profit £m** | **448** | 399 | +12% | +8% |
| **Adjusted operating profit margin** | **10.7%** | 10.7% | | |
| **Operating profit £m** | **402** | 369 | +9% | |
| **Return on average capital employed** | **30.0%** | 29.3% | | |

Our Grocery businesses performed with great resilience in what were challenging inflationary conditions. Revenues were strongly ahead of last year driven primarily by price increases through the course of the year to mitigate cost inflation. Despite the challenges of dealing with inflation volatility, adjusted operating profit margin held at 10.7%, helped in part by a recovery in our Allied Bakeries business. Adjusted operating profit for the year was 8% higher at £448m. In the first half of the year revenues were 10% higher than the same period a year ago. In the second half, revenues were 12% higher. The difference in the growth rates predominantly reflects the lag between the input cost inflation of the prior year and the first half of this financial year and the time taken to implement pricing. As this year progressed, inflation abated somewhat. Adjusted operating profit in the first half was £173m, down 10% on the same period a year ago. However, in the second half adjusted operating profit increased by 23% to £275m as the effect of pricing came through.

Our group of international brands – Twinings, Ovaltine, Blue Dragon, Patak's, Jordans and Mazzetti – largely performed well. Sales at Twinings moved higher on pricing to recover input cost inflation, with volumes broadly flat. Within this, there were good performances in the US, UK, Australia and France. The brand conducted a number of marketing trials in the year as a prelude to deploying marketing spend to drive further growth. Sales of fruit and herbal infusion teas have increased significantly and are now close to those of black teas. Ovaltine sales also moved higher, with good performances in Brazil, Switzerland and Nigeria partially offset by lower foodservice sales in China and by difficult trading conditions in Myanmar. We saw an increase in sales of Ready-to-drink products in Thailand but lower sales of higher margin powder products. Patak's and Blue Dragon both traded well. Half the sales of Patak's are now located outside the UK where we delivered good growth, and the brand also delivered strong growth in the US and good growth in Australia. Blue Dragon delivered strong value growth, increasing further its proportion of international sales with growth in the US and Canada. Jordans had a resilient year, broadly maintaining its international sales. The Mazzetti brand of balsamic vinegars continued its international growth and nearly half of sales are now outside Europe.

As noted above, in the US our international brands performed well. Our US focused brands and businesses also traded well. Mazola, the leading brand in the US edible oils category, delivered strong volumes and profitability supported by new production capabilities. Sales of our Fleischmann's yeast and baking ingredients products have also been strong. Stratas, our joint venture in the US that supplies oils and other products to the foodservice, ingredients and retail markets, traded strongly due to improved sales mix and good procurement of oils.

In our UK focused brands and businesses, the sales trajectory of Allied Bakeries improved considerably through the course of the year due to higher volumes, stronger pricing and operational improvement. We continue to work on improvements to the financial performance of this business. Ryvita continues to underperform but is investing in a brand relaunch and early results are positive. Shortly after the period end we acquired the Capsicana range of Latin American products such as tortillas, pastes, kits and seasoning mixes, broadening further our range of world foods.

In our Australian focused brands and businesses, sales at our Tip Top brand increased due to pricing taken to mitigate cost inflation. Performance at Don was held back by high meat costs, labour shortages and the insolvency of a major distribution business. As a result, we have conducted a value in use assessment which has led to a non-cash exceptional impairment charge of £41m.

Investment continued, with major projects including the re-construction of the Canning Vale bakery in Western Australia which will secure Tip Top's position as the leading supplier in that state and the first part of Ovaltine's investment in a production facility in Nigeria to serve markets across West Africa. We have also invested in increased edible oil production capacity in the US. The division has also stepped up its investment programme in core technology platforms.

## Ingredients

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| **Revenue £m** | **2,157** | 1,827 | +18% | +15% |
| **Adjusted operating profit £m** | **214** | 159 | +35% | +28% |
| **Adjusted operating profit margin** | **9.9%** | 8.7% | | |
| **Operating profit £m** | **201** | 141 | +43% | |
| **Return on average capital employed** | **16.1%** | 14.8% | | |

Ingredients had a very strong year with substantial increases in both revenues and profits and, significantly for the future development of these businesses, higher investment in both production capacity and capability.

Revenues were well ahead of last year primarily due to pricing action to recover large increases in raw material and other input costs which were apparent both this year and in the prior financial year. Revenues in the first half of the financial year were ahead of the same period last year by 27% at £1,088m. In the second half of this financial year, revenues were 6% ahead at £1,069m.

Profitability this year was well ahead of the last financial year as the benefits of pricing were felt, with volumes proving generally resilient and a particularly strong performance by AB Mauri, our yeast and bakery ingredients business. In the first half of the financial year, Ingredients' adjusted operating profit was 48% higher than the same period a year ago at £102m; in the second half of the period, adjusted operating profit was 14% higher at £112m.

AB Mauri had a very strong year with significant increases in both revenues and profit. Price increases lagged prior year input cost inflation as customer contracts came up for renewal. As these contracts were repriced, the benefits came through strongly with little impact on volumes. Demand for yeast remained good, both from industrial bakers and from consumers who returned to home baking during the pandemic. Sales and profitability were particularly strong in the US. Elsewhere, hyperinflation continued in Argentina, Venezuela and Turkey with a consequent need for frequent repricing. Transition of our China business to our joint venture was completed.

We continue to invest in effluent treatment plants at many sites to deliver on our commitment to maintain appropriate standards of water quality, this investment being significant in recent years. More broadly, the company's water strategy focuses on reducing its water-intensity ratio defined as the quantity of water consumed per tonne of product produced, excluding by-products. AB Mauri has reduced its overall water-intensity ratio by 25% since 2017/18.

ABF Ingredients, our portfolio of specialty ingredients businesses, delivered a solid increase in revenues derived from pricing taken to offset input cost inflation, partially offset by a small decline in volumes, particularly in the second half of the period as customers destocked following the stabilisation of supply chains. Profits were slightly lower year-on-year as we continue to invest in these growth businesses to enhance capability in both research and development and in commercial activities.

Specifically, AB Enzymes, specialising in food and feed enzymes, had flat sales with pricing offsetting lower volumes caused by destocking. Ohly, specialising in yeast extracts, delivered good revenue growth driven by robust demand from food and bionutrients customers. SPI Pharma, specialising in pharmaceutical excipients, continued to progress with pricing and volume growth and an improvement in manufacturing efficiency. ABITEC, specialising in lipids, delivered a modest increase in sales driven by a solid performance in the Pharma and Nutritional Science sectors. Fytexia, our life sciences businesses acquired last year, continued to perform well. PGPI, which specialises in extruded proteins, saw volumes fall due to lower consumer demand for nutrition bars in the US.

Investment continued, with major projects including a powder packing line for AB Enzymes at Rajamaki, Finland, and increased capacity at Ohly's fermentation and spray dryer operations in Hamburg. In Mauri ANZ, investment in our animal feed mill in Hope Valley in Western Australia was completed and commissioned. Our specialty yeast plant in Hull has now been commissioned.

## Agriculture

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| **Revenue £m** | **1,840** | 1,722 | +7% | +7% |
| **Adjusted operating profit £m** | **41** | 47 | -13% | -15% |
| **Adjusted operating profit margin** | **2.2%** | 2.7% | | |
| **Operating profit £m** | **32** | 41 | -22% | |
| **Return on average capital employed** | **8.4%** | 10.3% | | |

AB Agri revenues were up 7% against the same period last year driven by pricing taken to mitigate input cost inflation, partially offset by lower volumes in the UK and China compound feed businesses. By period, revenue in the first half grew 15% compared to the same period a year ago but fell by 1% year-on-year in the second half, largely reflecting movements in input commodity prices. As a result of these challenging market conditions, adjusted operating profit reduced to £41m despite a modest recovery in the second half of the financial year.

There was a decline in the size of the European pig and poultry sectors as a result of disease and high cost of inputs, reducing sales volumes and margins in our compound feed and starter feed businesses. The dairy sector was more resilient, and we saw higher revenues and profits in our businesses serving that sector. In China, lockdowns caused by the pandemic depressed demand for pork products and reduced pig herd sizes, resulting in a decline in that market. AB Vista, our international feed additives business, traded robustly with sales and profits both slightly higher. The performance at Frontier, our joint venture specialising in farm crop inputs and grain marketing, was only slightly lower than the record results achieved last year as grain and fertiliser trading normalised.

We believe there is an opportunity to develop a unique full service offer to the dairy sector. In August 2023 we completed the acquisition of National Milk Records for £48m which provides services to the dairy supply industry including testing services and management information which are complementary to AB Agri's existing services. This follows our acquisition in November 2022 of Kite Consulting and Advance Sourcing which also serve customers in this sector.

## Sugar

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| **Revenue £m** | **2,547** | 2,016 | +26% | +29% |
| **Adjusted operating profit £m** | **169** | 162 | +4% | +8% |
| **Adjusted operating profit margin** | **6.6%** | 8.0% | | |
| **Operating profit £m** | **119** | 164 | -27% | |
| **Return on average capital employed** | **9.7%** | 10.3% | | |

Sales were well ahead of last year with a strong performance by Illovo, our African sugar business, which delivered both higher sugar production and strong pricing actions. Illovo also made good progress in developing new and higher margin routes to market through pre-pack branded sugar facilities. In Europe, production was lower due to adverse weather conditions, but the resulting impact on profitability was partially offset by good co-product sales.

Revenues were strongly ahead of the prior year driven by higher sugar pricing, a recovery in production and sales in Eswatini in Africa following strike action last year, and much higher sales from Vivergo, our bioethanol plant in Hull. European sugar prices moved higher this year, building on the price levels seen in the previous year and driven by lower European sugar production and higher world market prices. Prices in Africa also increased. Sales volumes increased modestly, with higher volumes at Illovo more than offsetting declines at British Sugar and Azucarera. Total production, at 2.8 million tonnes, is 8% down on last year reflecting lower volumes as a result of adverse weather affecting European crops, partly mitigated by strong co-product performance and partially offset by higher production in Africa driven by the recovery in Eswatini and good factory performances in Malawi and South Africa. By period, revenue in the first half increased 27% to £1.2bn against the same period a year ago; in the second half, revenue rose 31% to £1.4bn.

Adjusted operating profit was modestly ahead of last year at £169m. Overall, the contribution from higher sales prices was partially offset by higher costs for beet, cane and energy. Specifically, profit was impacted by the need for British Sugar to buy and import sugar to make good a shortfall in beet sugar production. Overall profits were held back by the substantial trading losses incurred by Vivergo in the first half of the year. First half Sugar adjusted operating profit was 5% ahead of the same period last year at £86m while second half adjusted operating profit was 11% higher at £83m.

British Sugar production levels were exceptionally low at 0.74 million tonnes, 27% lower than the prior year's campaign, the result of a sequence of unusually poor weather conditions which reduced the crop size and lowered beet yields and sugar content. The business secured alternative sources of supply in order to fulfil customer contracts but profitability was significantly reduced as a consequence in the second half of the year. In the course of the year energy costs remained at elevated levels, but were partially offset by strong pricing for electricity produced and other co-products. Profitability for the year at British Sugar was lower as a result of the combination of these factors.

Azucarera, our Spanish sugar business, benefitted in the course of the year from the higher prices, partially offset by elevated costs for beet, raw sugars and energy. Beet sugar production was lower than the prior year due to hot and dry weather, and additional purchasing of raw sugars for refining was required in order to support sales. Overall production was down 20% at some 0.45 million tonnes.

Our Illovo Sugar Africa business performed very well. The business continues to develop sales and higher margin routes to market for pre-packed branded sugar in Malawi, Tanzania and Zambia. Overall, Illovo sugar production was 1.53 million tonnes compared to 1.45 million tonnes in the previous financial year reflecting the recovery in production in Eswatini and good production in Malawi and South Africa partially offset by the impact of flooding in Mozambique. The combination of higher volumes and strong pricing resulted in both sales and profit being well ahead of last year. Construction of our new sugar mill in Tanzania continues and will increase our production capacity considerably in that country.

At the end of February, severe flooding in Mozambique affected our cane estate at Maragra and most of our partner-grower operations. The Maragra mill will not open for sugar production this season and as such we have taken a non-cash exceptional impairment charge of £35m in these accounts to write down the net asset value of this business.

The trading performance of AB Sugar China was below last year as a result of lower demand caused by lockdowns earlier in the year. More recently the relaxation of restrictions has caused sugar prices to recover strongly. However, trading remains difficult and we have reviewed our outlook for this business, including the forecast for the evolution of beet crop area and yields. As a result, we have taken a one-off non-cash adjustment of £15m as an exceptional impairment charge this year.

Vivergo incurred substantial losses in the first half due to high wheat and energy costs and low bioethanol prices. The second half of the year saw much reduced losses and a significant improvement in margin and operating performance, particularly in the fourth quarter.

Sugar made good progress in its decarbonisation programme in the financial year. It completed 17 decarbonisation projects across various sugar processes, which contributed to a 4% reduction in greenhouse gas emissions compared with 2022. Among the projects completed are modifications in the UK to replace coal with natural gas in the dryers at our Bury St Edmunds processing plant, improvements to gas turbine performance at our Wissington plant, the elimination of heavy fuel oil at Cantley, and the installation of more efficient slicer machines at Bury St Edmunds. In addition, Sugar has also published its transition plan to a low carbon economy by 2030.

## Retail

| | 2023 | 2022 | Actual currency | Constant currency |
|---|---|---|---|---|
| **Revenue £m** | **9,008** | 7,697 | +17% | +15% |
| **Adjusted operating profit £m** | **735** | 756 | -3% | -3% |
| **Adjusted operating profit margin** | **8.2%** | 9.8% | | |
| **Operating profit £m** | **717** | 550 | +30% | |
| **Return on average capital employed** | **12.0%** | 12.9% | | |

Primark revenues rose strongly in this financial year, up 15% and exceeding our expectations a year ago. This reflects a sales increase in all our markets driven by a number of factors, including carefully selected price increases taken to partially offset high and volatile input cost inflation, well-received product ranges and the resulting appeal of our offer to new and existing customers. Good footfall, strongly performing new stores and the rollout of our enhanced customer website also contributed to the strong sales performance. Sales increased in both halves of the year: in the first half, by 17% to £4.2bn against the same period in the prior year; and in the second half, by 14% to £4.8bn.

We believe that our product offer was a source of differentiation and competitive advantage throughout the year. Cold weather essentials and other seasonal product lines, including our well-received velvet plush leggings, drove strong sales leading into a record Christmas season which included a resurgence in women's partywear, tailoring separates and beauty products as a return to festive socialising gathered pace. In the new year sales of beachwear and luggage were exceptionally strong as customers looked early to holidays. Our summer trading was good, led by our boho-inspired design trend. Throughout the year we further broadened our ranges and collaborations to appeal to customers trying Primark for the first time alongside existing customers. We expanded our Edit collection, our more premium essentials range for women, across more stores which sold well. We also continued our successful UK and European collaborations with Stacey Solomon, Kem Cetinay and Paula Echevarria launched our first truly international partnership with Rita Ora whose first collection sales have surpassed expectations. Sales of licensed products grew significantly year-on-year, in particular over Christmas across our growing portfolio of brand partners including Disney, Netflix, The Grinch, and US sports partners NFL and NBA. Our summer Barbie collection with Mattel also proved very successful.

Trading was influenced in the second half of the year by weather. We saw good sales through the early summer with the exception of Iberia which suffered unusually poor weather in May. In July, there was very poor weather in the UK and Ireland and heatwaves in Southern Europe, followed by warm conditions in August and September which coincided with the launch of our Autumn / Winter ranges. Despite these unseasonal conditions, we generally traded well with our core product ranges remaining in robust demand and partially offsetting inevitable volatility in sales more dependent on fashion and season.

Like-for-like sales growth was 8.5% for the year. In the first half, like-for-like sales rose by 10% driven by higher average selling prices and higher unit volumes partially offset by smaller basket sizes. Footfall increased in both the UK and Europe, against a comparative period which featured some disruption from the pandemic. In the second half of the year like-for-like growth was lower than in the first half at 7%. This growth was driven by a slightly greater benefit from selective pricing taken to part-mitigate inflation, the benefits of which were partially offset in turn by lower unit volumes, smaller basket sizes and slightly lower footfall. Space growth contributed sales growth of 6%, driven by the increase in selling space across a number of our markets, in particular Italy, France and the US, and higher sales densities in most new stores.

Adjusted operating profit margin for the full year was 8.2%, down on the previous financial year’s 9.8%. Adjusted operating profit margin in the first half was 8.3%, down on the same period a year ago due to our decision not to fully recover all the inflation in input costs. In the first half the higher costs of bought-in goods, higher freight rates, higher labour costs and higher energy costs outweighed the benefits of our selective price increases and an improvement in store sales densities due to higher footfall. In the second half, compared with the same period a year ago, the cost of bought-in goods was higher again including a more significant impact of the strength of the US dollar against sterling and the euro when we placed orders for our Spring / Summer ranges several months earlier. This higher cost of goods was offset somewhat by the benefit of like-for-like sales growth and sales from new store openings and by the benefit of additional pricing being implemented in the spring and summer ranges. Freight costs fell in the fourth quarter, but labour costs were higher than the same period a year ago. Second half operating profit margin was 8.0%, slightly below the first half of the year, and also held back by higher than expected stock loss and a modest amount of German restructuring costs, albeit helped by lower markdowns.

In the UK, sales increased by 11% against the previous financial year, driven by like-for-like growth of 10% helped in particular by our new customer website that has now been running for more than a year. This sales performance was achieved despite unhelpful weather impacts in the third and fourth quarters which resulted in slightly lower footfall in contrast to the first half of the year when footfall was significantly higher. Primark’s market share(1) grew in the financial year, increasing from 6.4% last year to 6.7% this year.

In Europe excluding the UK, sales increased by 18% on the previous financial year, with like-for-like growth of 8% despite weaker trading at times due to unseasonable weather. Our store estates in all the countries in which we operate delivered like-for-like sales growth, with good performances in Iberia, France, Germany, Belgium, the Netherlands and Eastern Europe. Italy delivered strong total sales growth and continues to operate on high sales densities. We opened 17 stores in the European region in the period to strong customer demand and good resulting footfall. Sales densities in most of these new stores continue to be higher than average. Primark's share of the total clothing, footwear and accessories market by value increased in both Spain and France. In Germany we closed two stores in the period and, after period end, we closed one more store and agreed two further closures. In addition we have started our rightsizing programme with two stores in the period and the signs are encouraging.  Two further stores were resized in September after the period end. We continue to consider further resizing. We are also developing plans to open new stores smaller than average in new locations with merchandise selected to appeal to local customer demand.

In the US, total net sales were 24% higher than last year driven by space expansion. We opened eight new stores in the period, largely in the Northeast, taking the estate to 21 stores trading from 0.9 million sq ft and are on track to meet our US store expansion target of around 60 stores by the end of 2026. We are pleased with trading in our new stores which are benefitting from our growing knowledge of the US consumer and the wider retail market.  We have refined the design, size and layout of our stores and continue to tailor our ranges to suit the US consumer. We continued to expand our footprint beyond the Northeast with further progress in the new store pipeline and two leases signed recently in Texas. Investment in infrastructure to support this expansion continues with work ongoing at our new Jacksonville logistics centre where we expect to be operational in the spring.

Further progress has been made implementing our wide-ranging sustainability strategy unveiled two years ago, itself an evolution of an earlier and long-standing ethical trade and sustainability programme. During the year we further embedded the processes and capabilities needed to drive and accelerate change both internally and across our value chain. Some 55% of all the clothing units we sold in the financial year contained recycled or more sustainably sourced materials, up from 45% last year and up from 25% at launch two years ago. This represents good progress in the delivery of our commitment that all our clothes will be made from recycled or sustainably sourced materials by 2030. Within this, 46% of our cotton clothing now contains cotton that is organic, recycled or sourced from our Primark Sustainable Cotton Programme (PSCP), up from 40% last year.  Our commitment to reduce our carbon emissions across our value chain by 50% by 2030 was validated by the Science Based Targets initiative (SBTi). While carbon emissions increased this year by 11% compared to our baseline 2018/19 financial year, this is as expected: Scope 1 and 2 emissions reduced but there was an increase in our Scope 3 emissions due to an increase in the volume of materials used to produce the higher number of products sold in the period year-on-year. In the short term, this trend is likely to continue, but emissions will decline in time as we increase the use of more sustainably sourced materials across our product ranges. In our own store estate, some 70% of our stores are now powered by renewable or low-carbon electricity and 141 stores have switched to energy-efficient lighting.

Primark continues to build and invest in transforming its digital capability. This year we successfully rolled out our new and improved website to all 16 markets. Since launching the new website, we have seen a positive customer reaction and strong traffic uplift in all trading markets, led by the UK and the Republic of Ireland which were the first two countries to move on to the new platform. Usage of the stock checker facility ranged broadly between 15%-20% of website sessions across our markets. We are also putting more focus on increasing traffic growth to www.primark.com through organic search, CRM and selected performance marketing trials and, overall, working in closer alignment with our already strong social media engagement. We believe our digital platform is already beginning to support good uplifts in footfall and that it is contributing to store like-for-like sales across our markets.

In April we announced the expansion of our Click + Collect trial to an additional 32 stores in London, taking the total number offering this service to 57 stores, one third of our UK estate. On 13 September 2023 we extended the service to include womenswear, alongside the existing offer on kidswear. Although this remains a trial, we are encouraged by the early results. In addition, we implemented self-checkouts in 22 stores in the period. This service has seen high utilisation and customer engagement and the roll-out continues.

Retail selling space overall increased by just under 1 million sq ft since the last financial year end and on 16 September 2023 we were trading from 432 stores and 18.2 million sq ft of selling space. We added 27 stores in the period: eight in the US; six in Central and Eastern Europe with three in Poland, two in Romania and our first store in Slovakia marking our 15th and 16th market; four in Italy and France respectively; three in Spain; and two in the UK. We fully reopened our Bank Buildings store in the heart of Belfast, and closed our temporary store in Donegal Place. As referred to above, two stores in Germany were closed during the year. We also re-started our store refurbishment programme.

We remain on track to grow to 530 stores by the end of 2026 and have visibility for continued footprint expansion beyond.

| | Year ended 16 September 2023 | | Year ended 17 September 2022 | |
|---|---|---|---|---|
| | # of stores | sq ft 000 | # of stores | sq ft 000 |
| UK | **192** | **7,725** | 191 | 7,620 |
| Spain | **59** | **2,390** | 56 | 2,305 |
| Germany | **30** | **1,605** | 32 | 1,841 |
| France | **24** | **1,203** | 20 | 1,044 |
| Republic of Ireland | **37** | **1,165** | 37 | 1,121 |
| Netherlands | **20** | **1,016** | 20 | 1,016 |
| US | **21** | **873** | 13 | 563 |
| Italy | **15** | **747** | 11 | 552 |
| Belgium | **8** | **403** | 8 | 403 |
| Portugal | **10** | **383** | 10 | 383 |
| Austria | **5** | **242** | 5 | 242 |
| Poland | **5** | **197** | 2 | 77 |
| Czechia | **2** | **89** | 2 | 89 |
| Romania | **2** | **75** | – | – |
| Slovenia | **1** | **46** | 1 | 46 |
| Slovakia | **1** | **39** | – | – |
| Total | **432** | **18,198** | 408 | 17,302 |

1. Kantar, Primark market share of the total UK clothing, footwear and accessories market including online by value, 52-week data to 16 September 2023

# Financial review

## Group performance

Group revenue was £19.8bn, 15% ahead of last year at constant currency, with sales growth in each of our businesses, benefitting from the build of price increases taken to offset inflation. However, as expected, adjusted operating profit margin declined, from 8.4% last year to 7.7% this year as a result of the overall inflation. The Group generated an adjusted operating profit of £1,513m, an increase of 5% at actual rates ahead of last year, a strong result given the scale of input cost increases. Statutory operating profit for the Group of £1,383m was 17% ahead, after charging exceptional items of £109m (2022 - £206m).

For the full year the average rates used to translate the income statement resulted in a translation gain of £17m, primarily driven by the strengthening of the US dollar, particularly in the first half compared to the first half of 2022. The weakness of sterling against some of our trading currencies also drove a benefit on translation of our non-sterling earnings.

## Segmental summary

| At actual rates | Revenue 2023 £m | Revenue 2022 £m | Revenue Change % | Adjusted operating profit 2023 £m | Adjusted operating profit 2022 £m | Adjusted operating profit Change % |
|---|---|---|---|---|---|---|
| Grocery | **4,198** | 3,735 | +12.4 | **448** | 399 | +12.3 |
| Ingredients | **2,157** | 1,827 | +18.1 | **214** | 159 | +34.6 |
| Agriculture | **1,840** | 1,722 | +6.9 | **41** | 47 | -12.8 |
| Sugar | **2,547** | 2,016 | +26.3 | **169** | 162 | +4.3 |
| Retail | **9,008** | 7,697 | +17.0 | **735** | 756 | -2.8 |
| Central | **–** | – | – | **(94)** | (88) | -6.8 |
| | **19,750** | 16,997 | +16.2 | **1,513** | 1,435 | +5.4 |

The segmental analysis by division is set out in the operating reviews. The segmental analysis by geography is set out in note 1 on page 22. Of note is the increase in adjusted operating profit in North America which is driven by the success of our Grocery and Ingredients' businesses there.

## Adjusted earnings per share

| | 2023 £m | 2022 £m | Change % |
|---|---|---|---|
| Adjusted operating profit | **1,513** | 1,435 | +5.4 |
| Net finance income/(expense) excluding lease interest | **11** | (11) | +200.0 |
| Other financial income | **40** | 13 | +207.7 |
| Lease interest | **(91)** | (81) | -12.3 |
| Adjusted profit before tax | **1,473** | 1,356 | +8.6 |
| Taxation on adjusted profit | **(346)** | (302) | -14.6 |
| Adjusted profit after tax | **1,127** | 1,054 | +6.9 |
| Adjusted earnings attributable to equity shareholders | **1,103** | 1,034 | +6.7 |
| Adjusted earnings per share (in pence) | **141.8p** | 131.1p | +8.2 |

### Net finance income and other financial income

Finance income increased as a result of higher interest rates earned on our cash deposits. Other financial income increased this year as a consequence of the higher surplus in the Group's UK defined benefit pension scheme at the beginning of the financial year. Lease interest increased during the year because of more leases being entered into from our continued store expansion programme, particularly in the US, Italy and France.

As a result, on an adjusted basis, profit before tax was up 8.6%, to £1,473m.

### Taxation

This year's tax charge on the adjusted operating profit before tax was £346m, with an increase in adjusted effective tax rate to 23.5% from 22.2% last year. This rate includes the impact on the blended tax rate for the full year of the increase in UK corporation tax rate from 19% to 25% in April 2023. The Group is exposed to a range of uncertain tax positions. The provision at the financial year end for these tax positions was £55m (2022 - £102m). The reduction in the provision is due to the conclusion of UK tax audits covering several businesses and years. This reduction in the provision between last financial and this financial year was due to partial utilisation and also translated into a one-off benefit to the effective tax rate for the year.

We expect the Group's effective tax rate in 2024 to be broadly in line with 2023. This includes the full year impact of the increase in the UK corporation tax rate in April 2023 and changes to the mix in profits by jurisdiction.

**Adjusted earnings per share** increased by 8.2% to a record 141.8p per share. This increase follows from the higher adjusted profit and the higher financial income, more than offsetting the slightly higher adjusted effective tax rate. The adjusted earnings per share also benefit from the reduction in weighted average number of shares, from 789 million for 2022 to 778 million for 2023, as a result of the buyback programme.

## Basic earnings per share

| | 2023 £m | 2022 £m | Change % |
|---|---|---|---|
| Adjusted profit before tax | **1,473** | 1,356 | +8.6 |
| Acquired inventory fair value adjustments | **(3)** | (5) | |
| Amortisation of non-intangibles | **(41)** | (47) | |
| Exceptional items | **(109)** | (206) | |
| Profits less losses on sale and closure of businesses | **(3)** | (23) | |
| Profits less losses on disposal of non-current assets | **28** | 7 | |
| Transaction costs | **(5)** | (6) | |
| Profit before tax | **1,340** | 1,076 | +24.5 |
| Taxation | **(272)** | (356) | +23.6 |
| Profit after tax | **1,068** | 720 | +48.3 |
| Earnings attributable to equity shareholders | **1,044** | 700 | +49.1 |
| Basic earnings per share (in pence) | **134.2p** | 88.6p | +51.5 |

Profit before tax of £1,340m was 24.5% ahead of last year, benefitting from the lower level of exceptional items in 2023.

### Exceptional items

| | 2023 £m | 2022 £m |
|---|---|---|
| Grocery - Impairment | **41** | – |
| Sugar - Impairments | **50** | – |
| Retail - Impairments, rightsizing and fair value write downs | **18** | 206 |
| | **109** | 206 |

The income statement this year included a non-cash exceptional impairment charge of £109m. In Grocery, the Don business has been impacted by inflationary pressures, a surplus supply of fresh pork in the market, labour constraints, equipment reliability causing production shortfalls and additional transportation costs following the unforeseen liquidation of its distribution partner. As a result we recognised impairment write-downs of £39m against property, plant and equipment, £1m against right-of-use assets and £1m against intangible assets.

In Sugar, the China Sugar North business recognised a £15m impairment write-down against property, plant and equipment. This business was held for sale in the previous year but that process was halted in the second half of the year. Due to severe flooding in Mozambique, the related damage to the sugar crop fields and the inability to plant for the foreseeable future Illovo Mozambique recognised £25m impairment write-downs against property, plant and equipment, £7m against current biological assets, £2m of personnel costs and £1m write-down against inventory.

In Retail, the German Primark portfolio recognised exceptional impairment charges relating to stores that were impaired in the previous year: £13m as a result of additional right-of-use assets being recognised due to rent indexation adjustments on right-of-use assets that were impaired, a further £5m non-cash exceptional charge for the rightsizing of four stores and the fair value write-down of a store.

The prior year exceptional impairment charge of £206m comprised non-cash write-downs of assets in Primark Germany, £72m against property plant and equipment and £134m against right-of-use assets.

**Total tax charge** for the year was £272m. This includes the positive benefit of deferred tax on exceptional items from the prior year, when a £63m exceptional charge was included in the Group's total tax charge reflecting the de-recognition of the deferred tax assets relating to Primark Germany. A significant proportion of that asset had been deemed to be irrecoverable and was written off as an exceptional tax charge last year. As a result of further work undertaken this year it has been determined that more of this deferred tax asset is recoverable and so, an exceptional non-cash tax credit of £58m was recognised in the first half.

**Earnings attributable to equity shareholders** were £1,044m and basic earnings per share were 134.2p, 52% ahead of last year.

## Cash flow

| | 2023 £m | 2022 £m |
|---|---|---|
| Adjusted EBITDA | **2,361** | 2,261 |
| Repayment of lease liabilities net of incentives received | **(246)** | (275) |
| Working capital | **(216)** | (729) |
| Capital expenditure | **(1,073)** | (769) |
| Purchase of subsidiaries, joint ventures and associates | **(94)** | (154) |
| Sale of subsidiaries, joint ventures and associates | **4** | – |
| Net interest paid | **(74)** | (97) |
| Taxation | **(341)** | (304) |
| Share of adjusted profit after tax from joint ventures and associates | **(127)** | (112) |
| Dividends received from joint ventures and associates | **107** | 93 |
| Other | **(32)** | 2 |
| Free cash flow | **269** | (84) |
| Share buyback | **(448)** | – |
| Dividends | **(345)** | (380) |
| Movement in loans and current asset investments | **(10)** | 196 |
| Cash flow | **(534)** | (268) |

There was free cash inflow in the year totalling £269m as a result of the operating profit generated by the Group, despite cash outflows driven by higher capital expenditure than the prior year and a working capital outflow.

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

The main factors driving the increase in working capital were twofold: the impact of inflation across all our food businesses and higher inventories, particularly in our Sugar and Primark businesses. As a reminder Primark inventories a year ago were too low and reflected the logistics and supply chain difficulties experienced in the prior year. We do expect a working capital inflow in 2024 as Primark inventory levels normalise.

Cash tax increased in the year driven by the increase in profit before tax. We expect a reduced level of cash tax in 2024 due to the reallocation of historic overpayments and favourable settlements of historical enquires and returns.

There was cash outflow of £448m for our share buyback programme, with the remainder of the £500m programme completed after the year end. We also paid £345m for total dividends in this financial year, which reflects the final 2022 dividend and interim 2023 dividend. The £380m paid in the prior year included a special dividend that was declared in respect of the 2021 financial year.

## Acquisitions and disposals

The spend on acquisitions this financial year was £94m. The most significant of these were the acquisitions of National Milk Records, Kite Consulting and Advance Sourcing in Agriculture.

For disposals, a non-cash provision of £6m was included in profit less losses on sale and closure of business in respect of Illovo's investment in Gledhow.

## Financing and liquidity

| | **2023 £m** | 2022 £m |
|---|---|---|
| Short-term loans | **(99)** | (31) |
| Long-term loans | **(394)** | (480) |
| Lease liabilities | **(3,160)** | (3,252) |
| Total debt | **(3,653)** | (3,763) |
| Cash at bank and in hand, cash equivalents and overdrafts | **1,388** | 1,995 |
| Current asset investments | **–** | 4 |
| **Total net debt** | **(2,265)** | (1,764) |
| **Leverage ratio** | **0.96** | 0.78 |

At 16 September 2023, the Group held cash balances of £1,388m. In addition, the Group has an undrawn Revolving Credit Facility (RCF) for £1.5bn. This facility is free from performance covenants and was extended in June 2023 for a further year, bringing the maturity to 2028. Our £400m bond, launched last year, at 2.5% is due in 2034, and our final $100m Private Placement notes are due in March 2024.

Total liquidity at year end was £2.7bn, comprising the £1.5bn of cash, less £0.2bn of short-term loans and overdrafts and £0.1bn of inaccessible cash, plus the £1.5bn RCF. This compares to £3.4bn at the end of 2022.

## Pensions

The Group's defined benefit pension schemes aggregate surplus increased by 5% to £1,377m at year end compared to last year's £1,314m. The UK scheme, which accounts for around 90% of the Group's gross pension assets was in surplus by £1,397m (2022 - £1,366m). A significant increase in the pension surplus in the prior year was driven by an increase in bond yields reducing liabilities. Details of the assumptions made in the current and previous year are disclosed in note 12 of the financial statements together with the bases on which those assumptions have been made.

The charge for the year for the Group's defined contribution schemes, which was equal to the contributions made, amounted to £95m (2022 – £87m). This compared with the cash contribution to the defined benefit schemes of £36m (2022 – £36m).

The most recent triennial actuarial valuation of the UK scheme was carried out as of 5 April 2023. This last valuation showed a funding surplus of £1,013m. This is a clear improvement on the previous valuation undertaken at 5 April 2020, which showed a deficit of £302m. As agreed with the trustees in September, as a result of this significant increase in the surplus, the Group will receive a cash flow benefit of approximately £70m per year from the abatement of UK employer pension contributions on both the defined benefit and defined contribution schemes. This will take effect from the start of the new financial year.

## Dividend and shareholder returns

We announced a share buyback programme of £500m in November 2022. In the financial year we purchased 23.7 million shares for £446m and the shares bought back were cancelled. At the end of the financial year we had 765 million ordinary shares in issue. The weighted average number of shares for the year was 778 million which compared to 789 million for the last financial year. This share buyback has resulted in a positive impact on our reported adjusted earnings per share of 1.8p. Since the financial year end, a further 2.8 million shares were purchased, completing the total £500m buyback programme. The Group has announced the continuation of a buyback programme, targeting an additional amount of £500m over the next 12 months.

This year the Board declared an interim dividend of 14.2p per share (2022 - 13.8p), an increase of 3% compared to prior year. The Board is proposing a final dividend of 33.1p per share. It is also declaring a special dividend of 12.7p per share to be paid as a second interim dividend. Taken with the first interim dividend of 14.2p per share, the aggregate total dividend for the year is 60.0p per share, 37% higher than the total dividend of 43.7p in 2022, which comprised an interim dividend of 13.8p, and a final dividend of 29.9p.

# Our principal risks and uncertainties

The directors have carried out an assessment of the principal risks facing ABF, including emerging risks, that would threaten our business model, future performance, solvency or liquidity. Outlined below are the Group's principal risks and uncertainties. These have been detailed in the 2023 Annual Report and Accounts together with the key mitigating activities in place to address them.

*Operating in global markets*

*Fluctuations in commodity and energy prices*

*Movement in exchange rates*

*Health and nutrition*

*Workplace health and safety*

*Product safety and quality*

*Breaches of IT and information security*

*Our supply chain and ethical business practices*

*Our use of natural resources and managing our environmental impact*

*The impact of climate change and natural disasters on our operations*

## 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 1 March 2025 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 financial leverage policy requires 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 1.0x and the Group had total cash of £1.5bn and an undrawn committed Revolving Credit Facility of £1.5bn.

In March 2023, S&P Global Ratings reaffirmed their assignment to the Group of an 'A' grade long-term issuer credit rating. The Group's funding basis is supported by the existing £400m public bond due in 2034. Furthermore the Group's committed Revolving Credit Facility is free of performance covenants and matures in 2028, with one 1-year extension option remaining (after the first was utilised during the year). The $100m of outstanding private placement notes are due in March 2024 after which point Group funding will not be subject to financial performance covenants.

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 three 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.

As a downside scenario the directors considered the adverse scenario in which inflationary costs are not fully recovered, there are adverse foreign exchange impacts and there is 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.

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, on top of the downside scenario outlined above, cost inflation would need to exceed £1.9bn without any price increases or other mitigating actions being taken before total liquidity is exhausted. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a period, management could take substantial mitigating actions, such as reviewing pricing, taking 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.

## Cautionary statements

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

# Directors' responsibilities in respect of the financial statements

We confirm that to the best of our knowledge:

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

We consider the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the 52 weeks ended 16 September 2023 which may be found at www.abf.co.uk and will be despatched to shareholders shortly. Accordingly this responsibility statement makes reference to the financial statements of the Company and the Group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

**Michael McLintock**
Chairman

**George Weston**
Chief Executive

**Eoin Tonge**
Finance Director

7 November 2023

# Consolidated income statement

**for the 52 weeks ended 16 September 2023**

| Continuing operations | note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Revenue** | 1 | **19,750** | 16,997 |
| Operating costs before exceptional items | | **(18,410)** | (15,729) |
| Exceptional items | 2 | **(109)** | (206) |
| | | **1,231** | 1,062 |
| Share of profit after tax from joint ventures and associates | | **124** | 109 |
| Profits less losses on disposal of non-current assets | | **28** | 7 |
| **Operating profit** | | **1,383** | 1,178 |
| Adjusted operating profit | 1 | **1,513** | 1,435 |
| Profits less losses on disposal of non-current assets | | **28** | 7 |
| Amortisation of non-operating intangibles | | **(41)** | (47) |
| Acquired inventory fair value adjustments | | **(3)** | (5) |
| Transaction costs | | **(5)** | (6) |
| Exceptional items | 2 | **(109)** | (206) |
| Profits less losses on sale and closure of businesses | 7 | **(3)** | (23) |
| **Profit before interest** | | **1,380** | 1,155 |
| Finance income | | **48** | 19 |
| Finance expense | 3 | **(128)** | (111) |
| Other financial income | | **40** | 13 |
| **Profit before taxation** | | **1,340** | 1,076 |
| Adjusted profit before taxation | | **1,473** | 1,356 |
| Profits less losses on disposal of non-current assets | | **28** | 7 |
| Amortisation of non-operating intangibles | | **(41)** | (47) |
| Acquired inventory fair value adjustments | | **(3)** | (5) |
| Transaction costs | | **(5)** | (6) |
| Exceptional items | 2 | **(109)** | (206) |
| Profits less losses on sale and closure of businesses | 7 | **(3)** | (23) |
| Taxation – UK (excluding tax on exceptional items) | | **(40)** | (50) |
| – UK (on exceptional items) | | **–** | 3 |
| – Overseas (excluding tax on exceptional items) | | **(300)** | (243) |
| – Overseas (on exceptional items) | | **68** | (66) |
| | 4 | **(272)** | (356) |
| **Profit for the period** | | **1,068** | 720 |
| **Attributable to** | | | |
| Equity shareholders | | **1,044** | 700 |
| Non-controlling interests | | **24** | 20 |
| **Profit for the period** | | **1,068** | 720 |
| Basic and diluted earnings per ordinary share (pence) | 6 | **134.2** | 88.6 |
| Dividends per share paid and proposed for the period (pence) | 5 | **47.3** | 43.7 |
| Special dividend per share proposed for the period (pence) | 5 | **12.7** | – |

# Consolidated statement of comprehensive income

**for the 52 weeks ended 16 September 2023**

| | 2023 £m | 2022 £m |
|---|---|---|
| **Profit for the period recognised in the income statement** | **1,068** | 720 |
| | | |
| **Other comprehensive income** | | |
| | | |
| Remeasurements of defined benefit schemes | **(7)** | 821 |
| Deferred tax associated with defined benefit schemes | **4** | (198) |
| Items that will not be reclassified to profit or loss | **(3)** | 623 |
| | | |
| Effect of movements in foreign exchange | **(470)** | 440 |
| Net gain/(loss) on hedge of net investment in foreign subsidiaries | **1** | (1) |
| Net gain on other investments held at fair value through other comprehensive income | **–** | 4 |
| Deferred tax associated with movements in foreign exchange | **(5)** | – |
| Current tax associated with movements in foreign exchange | **6** | – |
| Movement in cash flow hedging position | **(260)** | 419 |
| Deferred tax associated with movement in cash flow hedging position | **40** | (28) |
| Deferred tax associated with movement in other investments | **–** | (1) |
| Share of other comprehensive (loss)/income of joint ventures and associates | **(18)** | 28 |
| Effect of hyperinflationary economies | **40** | 46 |
| Items that are or may be subsequently reclassified to profit or loss | **(666)** | 907 |
| | | |
| **Other comprehensive income for the period** | **(669)** | 1,530 |
| | | |
| **Total comprehensive income for the period** | **399** | 2,250 |
| | | |
| **Attributable to** | | |
| Equity shareholders | **397** | 2,219 |
| Non-controlling interests | **2** | 31 |
| **Total comprehensive income for the period** | **399** | 2,250 |

# Consolidated balance sheet

**at 16 September 2023**

| | 2023 £m | 2022 £m |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | **1,870** | 1,868 |
| Property, plant and equipment | **5,766** | 5,599 |
| Right-of-use assets | **2,350** | 2,456 |
| Investments in joint ventures | **303** | 301 |
| Investments in associates | **91** | 85 |
| Employee benefits assets | **1,446** | 1,393 |
| Income tax | **23** | 23 |
| Deferred tax assets | **193** | 158 |
| Other receivables | **63** | 58 |
| **Total non-current assets** | **12,105** | 11,941 |
| **Current assets** | | |
| Assets classified as held for sale | **–** | 45 |
| Inventories | **3,207** | 3,259 |
| Biological assets | **99** | 105 |
| Trade and other receivables | **1,778** | 1,758 |
| Derivative assets | **96** | 475 |
| Current asset investments | **–** | 4 |
| Income tax | **102** | 67 |
| Cash and cash equivalents | **1,457** | 2,121 |
| **Total current assets** | **6,739** | 7,834 |
| **Total assets** | **18,844** | 19,775 |
| **Current liabilities** | | |
| Liabilities classified as held for sale | **–** | (14) |
| Lease liabilities | **(335)** | (316) |
| Loans and overdrafts | **(168)** | (157) |
| Trade and other payables | **(2,953)** | (3,114) |
| Derivative liabilities | **(69)** | (205) |
| Income tax | **(109)** | (160) |
| Provisions | **(55)** | (87) |
| **Total current liabilities** | **(3,689)** | (4,053) |
| **Non-current liabilities** | | |
| Lease liabilities | **(2,825)** | (2,936) |
| Loans | **(394)** | (480) |
| Provisions | **(48)** | (26) |
| Deferred tax liabilities | **(626)** | (647) |
| Employee benefits liabilities | **(69)** | (79) |
| **Total non-current liabilities** | **(3,962)** | (4,168) |
| **Total liabilities** | **(7,651)** | (8,221) |
| **Net assets** | **11,193** | 11,554 |
| **Equity** | | |
| Issued capital | **44** | 45 |
| Other reserves | **179** | 178 |
| Translation reserve | **(42)** | 422 |
| Hedging reserve | **2** | 154 |
| Retained earnings | **10,910** | 10,649 |
| **Total equity attributable to equity shareholders** | **11,093** | 11,448 |
| Non-controlling interests | **100** | 106 |
| **Total equity** | **11,193** | 11,554 |

# Consolidated cash flow statement

**for the 52 weeks ended 16 September 2023**

| | 2023 £m | 2022 £m |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before taxation | **1,340** | 1,076 |
| Profits less losses on disposal of non-current assets | **(28)** | (7) |
| Profits less losses on sale and closure of businesses | **3** | 23 |
| Transaction costs | **5** | 6 |
| Finance income | **(48)** | (19) |
| Finance expense | **128** | 111 |
| Other financial income | **(40)** | (13) |
| Share of profit after tax from joint ventures and associates | **(124)** | (109) |
| Amortisation | **82** | 68 |
| Depreciation (including of right-of-use assets) | **804** | 802 |
| Exceptional items | **109** | 206 |
| Acquired inventory fair value adjustments | **3** | 5 |
| Effect of hyperinflationary economies | **14** | 16 |
| Net change in the fair value of current biological assets | **(11)** | (8) |
| Share-based payment expense | **18** | 19 |
| Pension costs less contributions | **(8)** | 7 |
| Increase in inventories | **(94)** | (953) |
| Increase in receivables | **(107)** | (288) |
| (Decrease)/increase in payables | **(15)** | 512 |
| Purchases less sales of current biological assets | **(9)** | (4) |
| (Decrease)/increase in provisions | **(27)** | 7 |
| Cash generated from operations | **1,995** | 1,457 |
| Income taxes paid | **(341)** | (304) |
| **Net cash generated from operating activities** | **1,654** | 1,153 |
| **Cash flow from investing activities** | | |
| Dividends received from joint ventures and associates | **107** | 93 |
| Purchase of property, plant and equipment | **(997)** | (680) |
| Purchase of intangibles | **(76)** | (89) |
| Lease incentives received | **62** | 46 |
| Sale of property, plant and equipment | **48** | 30 |
| Purchase of subsidiaries, joint ventures and associates | **(94)** | (154) |
| Sale of subsidiaries, joint ventures and associates | **4** | – |
| Purchase of other investments | **(4)** | (7) |
| Interest received | **44** | 17 |
| **Net cash used in investing activities** | **(906)** | (744) |
| **Cash flow from financing activities** | | |
| Dividends paid to non-controlling interests | **(7)** | (8) |
| Dividends paid to equity shareholders | **(345)** | (380) |
| Interest paid | **(118)** | (114) |
| Repayment of lease liabilities | **(308)** | (321) |
| Decrease in short-term loans | **(13)** | (12) |
| Increase in long-term loans | **–** | 178 |
| Decrease in current asset investments | **3** | 30 |
| Share buyback | **(448)** | – |
| Movement from changes in own shares held | **(46)** | (50) |
| **Net cash used in financing activities** | **(1,282)** | (677) |
| **Net decrease in cash and cash equivalents** | **(534)** | (268) |
| Cash and cash equivalents at the beginning of the period | **1,995** | 2,189 |
| Effect of movements in foreign exchange | **(73)** | 74 |
| **Cash and cash equivalents at the end of the period** | **1,388** | 1,995 |

# Consolidated statement of changes in equity

**for the 52 weeks ended 16 September 2023**

| | Attributable to equity shareholders | | | | | | Non- | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital £m | Other reserves £m | Translation reserve £m | Hedging reserve £m | Retained earnings £m | Total £m | controlling interests £m | Total equity £m |
| Balance as at 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 | – | – | – | – | 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 movements in cash flow | – | – | – | (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 | – | 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** | | | | | | | | |
| Amounts 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 | – | – | – | – | (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 |
| **Total comprehensive income** | | | | | | | | |
| Profit for the period recognised in the income statement | **–** | **–** | **–** | **–** | **1,044** | **1,044** | **24** | **1,068** |
| Remeasurements of defined benefit schemes | **–** | **–** | **–** | **–** | **(7)** | **(7)** | **–** | **(7)** |
| Deferred tax associated with defined benefit schemes | **–** | **–** | **–** | **–** | **4** | **4** | **–** | **4** |
| Items that will not be reclassified to profit or loss | **–** | **–** | **–** | **–** | **(3)** | **(3)** | **–** | **(3)** |
| Effect of movements in foreign exchange | **–** | **–** | **(448)** | **–** | **–** | **(448)** | **(22)** | **(470)** |
| Net gain on hedge of net investment in foreign subsidiaries | **–** | **–** | **1** | **–** | **–** | **1** | **–** | **1** |
| Deferred tax associated with movements in foreign exchange | **–** | **–** | **(5)** | **–** | **–** | **(5)** | **–** | **(5)** |
| Current tax associated with movements in foreign exchange | **–** | **–** | **6** | **–** | **–** | **6** | **–** | **6** |
| Movement in cash flow hedging position | **–** | **–** | **–** | **(260)** | **–** | **(260)** | **–** | **(260)** |
| Deferred tax associated with movement in cash flow hedging position | **–** | **–** | **–** | **40** | **–** | **40** | **–** | **40** |
| Share of other comprehensive income of joint ventures and associates | **–** | **–** | **(18)** | **–** | **–** | **(18)** | **–** | **(18)** |
| Effect of hyperinflationary economies | **–** | **–** | **–** | **–** | **40** | **40** | **–** | **40** |
| Items that are or may be subsequently reclassified to profit or loss | **–** | **–** | **(464)** | **(220)** | **40** | **(644)** | **(22)** | **(666)** |
| Other comprehensive income | **–** | **–** | **(464)** | **(220)** | **37** | **(647)** | **(22)** | **(669)** |
| Total comprehensive income | **–** | **–** | **(464)** | **(220)** | **1,081** | **397** | **2** | **399** |
| **Inventory cash flow hedge movements** | | | | | | | | |
| Amounts transferred to cost of inventory | **–** | **–** | **–** | **68** | **–** | **68** | **–** | **68** |
| Total inventory cash flow hedge movements | **–** | **–** | **–** | **68** | **–** | **68** | **–** | **68** |
| **Transactions with owners** | | | | | | | | |
| Dividends paid to equity shareholders | **–** | **–** | **–** | **–** | **(345)** | **(345)** | **–** | **(345)** |
| Net movement in own shares held | **–** | **–** | **–** | **–** | **(28)** | **(28)** | **–** | **(28)** |
| Share buyback | **(1)** | **1** | **–** | **–** | **(448)** | **(448)** | **–** | **(448)** |
| Deferred tax associated with share-based payments | **–** | **–** | **–** | **–** | **1** | **1** | **–** | **1** |
| Dividends paid to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **(8)** | **(8)** |
| Total transactions with owners | **(1)** | **1** | **–** | **–** | **(820)** | **(820)** | **(8)** | **(828)** |
| **Balance as at 16 September 2023** | **44** | **179** | **(42)** | **2** | **10,910** | **11,093** | **100** | **11,193** |

## 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, 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.

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

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

### 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.

### 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 of certain geographical information about the Group's operations is also given 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 | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Operating segments** | | | | |
| Grocery | **4,198** | 3,735 | **448** | 399 |
| Ingredients | **2,157** | 1,827 | **214** | 159 |
| Agriculture | **1,840** | 1,722 | **41** | 47 |
| Sugar | **2,547** | 2,016 | **169** | 162 |
| Retail | **9,008** | 7,697 | **735** | 756 |
| Central | **–** | – | **(94)** | (88) |
| | **19,750** | 16,997 | **1,513** | 1,435 |
| **Geographical information** | | | | |
| United Kingdom | **7,271** | 6,378 | **488** | 533 |
| Europe & Africa | **7,552** | 6,291 | **559** | 482 |
| The Americas | **2,420** | 2,028 | **353** | 279 |
| Asia Pacific | **2,507** | 2,300 | **113** | 141 |
| | **19,750** | 16,997 | **1,513** | 1,435 |

## 2023

| | Grocery £m | Ingredients £m | Agriculture £m | Sugar £m | Retail £m | Central £m | Total £m |
|---|---|---|---|---|---|---|---|
| Revenue from continuing businesses | 4,222 | 2,366 | 1,849 | 2,680 | 9,008 | (375) | 19,750 |
| Internal revenue | (24) | (209) | (9) | (133) | – | 375 | – |
| Revenue from external customers | 4,198 | 2,157 | 1,840 | 2,547 | 9,008 | – | 19,750 |
| | | | | | | | |
| Operating profit | 402 | 201 | 32 | 119 | 717 | (88) | 1,383 |
| | | | | | | | |
| Adjusted operating profit before joint ventures and associates | 368 | 190 | 25 | 162 | 735 | (94) | 1,386 |
| Share of adjusted profit after tax from joint ventures and associates | 80 | 24 | 16 | 7 | – | – | 127 |
| Adjusted operating profit | 448 | 214 | 41 | 169 | 735 | (94) | 1,513 |
| Finance income | | | | | | 48 | 48 |
| Finance expense | (1) | (1) | – | (3) | (86) | (37) | (128) |
| Other financial income | | | | | | 40 | 40 |
| Adjusted profit before taxation | 447 | 213 | 41 | 166 | 649 | (43) | 1,473 |
| Profits less losses on disposal of non-current assets | 19 | – | – | – | – | 9 | 28 |
| Amortisation of non-operating intangibles | (23) | (13) | (5) | – | – | – | (41) |
| Acquired inventory fair value adjustments | (1) | – | (2) | – | – | – | (3) |
| Transaction costs | – | – | (2) | – | – | (3) | (5) |
| Exceptional items | (41) | – | – | (50) | (18) | – | (109) |
| Profits less losses on sale and closure of businesses | – | 3 | – | (6) | – | – | (3) |
| Profit before taxation | 401 | 203 | 32 | 110 | 631 | (37) | 1,340 |
| Taxation | | | | | | (272) | (272) |
| **Profit for the period** | 401 | 203 | 32 | 110 | 631 | (309) | 1,068 |
| | | | | | | | |
| Segment assets (excluding joint ventures and associates) | 2,759 | 2,011 | 640 | 2,179 | 7,530 | 110 | 15,229 |
| Investments in joint ventures and associates | 58 | 133 | 155 | 48 | – | – | 394 |
| **Segment assets** | 2,817 | 2,144 | 795 | 2,227 | 7,530 | 110 | 15,623 |
| Cash and cash equivalents | | | | | | 1,457 | 1,457 |
| Income tax | | | | | | 125 | 125 |
| Deferred tax assets | | | | | | 193 | 193 |
| Employee benefits assets | | | | | | 1,446 | 1,446 |
| **Segment liabilities** | (689) | (407) | (196) | (501) | (4,326) | (166) | (6,285) |
| Loans and overdrafts | | | | | | (562) | (562) |
| Income tax | | | | | | (109) | (109) |
| Deferred tax liabilities | | | | | | (626) | (626) |
| Employee benefits liabilities | | | | | | (69) | (69) |
| **Net assets** | 2,128 | 1,737 | 599 | 1,726 | 3,204 | 1,799 | 11,193 |
| | | | | | | | |
| Non-current asset additions | 154 | 174 | 20 | 289 | 711 | 4 | 1,352 |
| Depreciation (including of right-of-use assets) | (114) | (62) | (19) | (75) | (526) | (8) | (804) |
| Amortisation | (26) | (15) | (7) | (3) | (31) | – | (82) |

## 2022

| | Grocery £m | Ingredients £m | Agriculture £m | Sugar £m | Retail £m | Central £m | Total £m |
|---|---|---|---|---|---|---|---|
| Revenue from continuing businesses | 3,736 | 1,996 | 1,728 | 2,097 | 7,697 | (257) | 16,997 |
| Internal revenue | (1) | (169) | (6) | (81) | – | 257 | – |
| Revenue from external customers | 3,735 | 1,827 | 1,722 | 2,016 | 7,697 | – | 16,997 |
| | | | | | | | |
| Operating profit | 369 | 141 | 41 | 164 | 550 | (87) | 1,178 |
| | | | | | | | |
| Adjusted operating profit before joint ventures and associates | 328 | 142 | 31 | 154 | 756 | (88) | 1,323 |
| Share of adjusted profit after tax from joint ventures and associates | 71 | 17 | 16 | 8 | – | – | 112 |
| Adjusted operating profit | 399 | 159 | 47 | 162 | 756 | (88) | 1,435 |
| Finance income | | | | | | 19 | 19 |
| Finance expense | (1) | (1) | – | (2) | (76) | (31) | (111) |
| Other financial expense | | | | | | 13 | 13 |
| Adjusted profit before taxation | 398 | 158 | 47 | 160 | 680 | (87) | 1,356 |
| Profits less losses on disposal of non-current assets | 4 | – | – | 2 | – | 1 | 7 |
| Amortisation of non-operating intangibles | (32) | (13) | (2) | – | – | – | (47) |
| Acquired inventory fair value adjustments | (1) | (2) | (2) | – | – | – | (5) |
| Transaction costs | (1) | (3) | (2) | – | – | – | (6) |
| Exceptional items | – | – | – | – | (206) | – | (206) |
| Profits less losses on sale and closure of businesses | – | (7) | – | (16) | – | – | (23) |
| Profit before taxation | 368 | 133 | 41 | 146 | 474 | (86) | 1,076 |
| Taxation | | | | | | (356) | (356) |
| **Profit for the period** | 368 | 133 | 41 | 146 | 474 | (442) | 720 |
| | | | | | | | |
| Segment assets (excluding joint ventures and associates) | 2,876 | 2,017 | 597 | 2,422 | 7,570 | 136 | 15,618 |
| Investments in joint ventures and associates | 62 | 136 | 143 | 45 | – | – | 386 |
| **Segment assets** | 2,938 | 2,153 | 740 | 2,467 | 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) | (450) | (196) | (616) | (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 | 1,703 | 544 | 1,851 | 3,025 | 2,196 | 11,554 |
| | | | | | | | |
| Non-current asset additions | 128 | 183 | 26 | 223 | 489 | 3 | 1,052 |
| Depreciation (including of right-of-use assets) | (109) | (57) | (17) | (75) | (532) | (12) | (802) |
| Amortisation | (37) | (14) | (3) | (3) | (11) | – | (68) |
| Reversal of impairment of property, plant & equipment and right-of-use assets | – | (11) | – | (19) | – | – | (30) |

## 1. Operating segments – geographical information

### 2023

| | United Kingdom £m | Europe & Africa £m | The Americas £m | Asia Pacific £m | Total £m |
|---|---|---|---|---|---|
| Revenue from external customers | **7,271** | **7,552** | **2,420** | **2,507** | **19,750** |
| Segment assets | **5,690** | **6,651** | **1,792** | **1,490** | **15,623** |
| Non-current asset additions | **305** | **732** | **217** | **98** | **1,352** |
| Depreciation (including of right-of-use assets) | **(279)** | **(374)** | **(84)** | **(67)** | **(804)** |
| Amortisation | **(17)** | **(56)** | **(4)** | **(5)** | **(82)** |
| Acquired inventory fair value adjustments | **(2)** | **(1)** | **–** | **–** | **(3)** |
| Transaction costs | **(4)** | **(1)** | **–** | **–** | **(5)** |
| Exceptional items | **–** | **(53)** | **–** | **(56)** | **(109)** |

### 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) |

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

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Australia | **1,407** | 1,232 | **541** | 623 |
| Spain | **1,836** | 1,545 | **651** | 650 |
| United States | **1,580** | 1,315 | **887** | 866 |

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

## 2. Exceptional items

### 2023

The income statement this year included a non-cash exceptional impairment charge of £109m. In Grocery, the Don business has been adversely affected by inflationary pressures, a surplus supply of fresh pork in the market, labour constraints and equipment reliability causing production shortfalls and additional transportation costs following the unforeseen liquidation of its distribution partner. As a result, the Group has recognised impairment write-downs of £39m against property, plant and equipment, £1m against right-of-use assets and £1m against intangible assets.

In the Sugar segment, north China recognised a £15m impairment write-down against property, plant and equipment. This business was classified as held for sale in the previous year, but the potential buyer withdrew their offer in the second half of the year. Due to the severe flooding in Mozambique, the related damage to the sugar crop fields and the inability to plant for the foreseeable future, Illovo Mozambique recognised a £25m impairment write-down against property, plant and equipment, £7m against current biological assets, provided £2m for personnel costs and wrote down inventory by £1m.

In the Retail segment, the Group recognised £13m of exceptional impairment charge relating to the German store portfolio. This primarily related to stores impaired in the previous year after additional right-of-use assets were recognised due to rent indexation adjustments. The Group also recognised a £4m charge including a £3m exceptional impairment charge for the write-down of property, plant and equipment for the right-sizing of four further German stores and £1m to write down a freehold store.

### 2022

The income statement included an exceptional impairment charge of £206m comprising non-cash write-downs of £72m against property, plant and equipment and a write-down of £134m of right-of-use assets relating to the capitalisation of store leases for Primark. 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.

## 3. Finance expense

| | 2023 £m | 2022 £m |
|---|---|---|
| Bank loans and overdrafts | **(23)** | (20) |
| All other borrowings | **(11)** | (8) |
| Lease liabilities | **(91)** | (81) |
| Other payables | **(3)** | (2) |
| | **(128)** | (111) |

## 4. Income tax expense

| | 2023 £m | 2022 £m |
|---|---|---|
| **Current tax expense** | | |
| UK – corporation tax at 21.8% (2022 – 19%) | **26** | 44 |
| Overseas – corporation tax | **249** | 244 |
| UK – over provided in prior periods | **(14)** | (12) |
| Overseas – under provided in prior periods | **18** | 1 |
| | **279** | 277 |
| **Deferred tax expense** | | |
| UK deferred tax | **54** | 18 |
| Overseas deferred tax | **28** | 72 |
| UK – over provided in prior periods | **(26)** | (3) |
| Overseas – over provided in prior periods | **(63)** | (8) |
| | **(7)** | 79 |
| **Total income tax expense in the income statement** | **272** | 356 |
| | | |
| **Reconciliation of effective tax rate** | | |
| Profit before taxation | **1,340** | 1,076 |
| Less share of profit after tax from joint ventures and associates | **(124)** | (109) |
| **Profit before taxation excluding share of profit after tax from joint ventures and associates** | **1,216** | 967 |
| | | |
| Nominal tax charge at UK corporation tax rate of 21.8% (2022 – 19%) | **265** | 184 |
| Effect of higher and lower tax rates on overseas earnings | **(16)** | 4 |
| Effect of changes in tax rates on income statement | **5** | 2 |
| Expenses not deductible for tax purposes | **66** | 63 |
| Disposal of assets covered by tax exemptions or unrecognised capital losses | **(2)** | 6 |
| Deferred tax not recognised | **39** | 120 |
| Adjustments in respect of prior periods | **(85)** | (23) |
| | **272** | 356 |
| | | |
| **Income tax recognised in equity** | | |
| Deferred tax associated with defined benefit schemes | **(4)** | 198 |
| Deferred tax associated with share-based payments | **(1)** | 1 |
| Deferred tax associated with movement in cash flow hedging position | **(40)** | 28 |
| Deferred tax associated with movements in foreign exchange | **5** | – |
| Current tax associated with movements in foreign exchange | **(6)** | – |
| Deferred tax associated with movement in other investments | **–** | 1 |
| | **(46)** | 228 |

The UK corporation tax rate of 19% increased 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 (2022 - £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 2021. 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.

In the second half of last year a deferred tax asset arose mainly in relation to the charge taken for the impairment of property, plant and equipment and store leases in Primark Germany. A significant proportion of this asset was deemed not to be recoverable and was written off as an exceptional tax charge. Since then, further work has been undertaken to assess the amount of the deferred tax asset that is expected to be recoverable. This work determined that the deferred tax asset at last year end was understated in error.

The Directors believe that this understatement of the deferred tax asset was not material to the prior period financial statements. Accordingly, an exceptional tax credit of £58m has been recognised in this year.

We recognise the importance of complying fully with all applicable tax laws as well as paying and collecting the right amount of tax in every country in which the Group operates. Our tax strategy, approved by the Board, is based on seven tax principles that are embedded in the financial and non financial processes and controls of the Group. This tax strategy is available in the Policies section of the Group's website.

## 5. Dividends

| | **2023 pence per share** | 2022 pence per share | **2023 £m** | 2022 £m |
|---|---|---|---|---|
| 2021 final and special | **–** | 34.3 | **–** | 271 |
| 2022 interim | **–** | 13.8 | **–** | 109 |
| 2022 final | **29.9** | – | **235** | – |
| 2023 interim | **14.2** | – | **110** | – |
| | **44.1** | 48.1 | **345** | 380 |

The 2023 interim dividend was declared on 25 April 2023 and was paid on 7 July 2023. Given the outlook for the Group, the strength of the balance sheet and the underlying cash generation of the business, we have declared the payment of a special dividend, to be paid as a second interim dividend of 12.7p per share at an estimated cost of £97m.

The Board has proposed a final dividend of 33.1p per share at an estimated cost of £252m. The combined 2023 final and special dividend of 45.8p, with an estimated total value of £349m, will be paid on 12 January 2024 to shareholders on the register on 15 December 2023.

Dividends relating to the period including the special dividend were 60.0p per share totalling £459m (2022 – 43.7p per share totalling £345m).

## 6. Earnings per share

The calculation of basic earnings per share at 16 September 2023 was based on the net profit attributable to equity shareholders of £1,044m (2022 – £700m), and a weighted average number of shares outstanding during the year of 778 million (2022 – 789 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. The weighted average number of shares has reduced as a result of our first share buyback programme. In the year, we repurchased 23.7 million shares which were cancelled.

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

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 778 million (2022 – 789 million). There is no difference between basic and diluted earnings.

| | **2023 pence** | 2022 pence |
|---|---|---|
| **Adjusted earnings per share** | **141.8** | 131.1 |
| Disposal of non-current assets | **3.6** | 0.9 |
| Sale and closure of businesses | **(0.4)** | (2.9) |
| Acquired inventory fair value adjustments | **(0.4)** | (0.6) |
| Transaction costs | **(0.6)** | (0.8) |
| Exceptional items | **(14.0)** | (26.1) |
| Tax effect on above adjustments | **8.2** | (8.0) |
| Amortisation of non-operating intangibles | **(5.3)** | (6.0) |
| Tax credit on non-operating intangibles amortisation and goodwill | **1.3** | 1.0 |
| **Earnings per ordinary share** | **134.2** | 88.6 |

## 7. Acquisitions and disposals

### Acquisitions

### 2023

In the first half, the Agriculture division acquired Kite Consulting, Advance Sourcing and Progres. Kite Consulting is a specialist dairy consultant and Advance Sourcing provides specialist products to create value by improving herd performance and supports dairy farmers to improve herd efficiency and build resilience across the agri-food supply chain. Progres in Finland uses a patented additive to support good health, reduce inflammation and stimulate recovery, which improves gut integrity and the performance of animals.

In April, the Ingredients division acquired Vital Solutions, a German company specialising in natural science-based ingredients for application in dietary supplements and functional foods.

The Agriculture division acquired IFCN AG, a dairy research and consulting company in June and in August acquired National Milk Records plc (NMR) for £48m. NMR is the leading agri-tech supplier of management information and testing services to the UK dairy supply chain, developing technology used to inform farming efficiency and animal welfare, and quantify food provenance.

| | Pre-acquisition carrying | Recognised values on acquisition | | |
|---|---|---|---|---|
| | values £m | National Milk Records £m | Other £m | Total £m |
| **Net assets** | | | | |
| Intangible assets | 3 | 23 | 12 | 35 |
| Property, plant and equipment and right-of-use assets | 5 | 4 | 1 | 5 |
| Investment in joint ventures | 3 | 9 | – | 9 |
| Cash and overdrafts | 1 | – | 1 | 1 |
| Working capital | (1) | – | (1) | (1) |
| Loans | (2) | (2) | – | (2) |
| Taxation | 1 | (4) | (2) | (6) |
| Net identifiable assets and liabilities | 10 | 30 | 11 | 41 |
| Goodwill | | 18 | 21 | 39 |
| Total consideration | | 48 | 32 | 80 |

| | Recognised values on acquisition £m |
|---|---|
| **Satisfied by** | |
| Cash consideration | 78 |
| Deferred consideration | 2 |
| | 80 |
| **Net cash** | |
| Cash consideration | 78 |
| Cash and cash equivalents acquired | (1) |
| | 77 |

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £32m of non-operating intangibles in respect of brands, technology and customer relationships, a £7m deferred related tax liability, a £6m uplift to the investment in joint ventures and goodwill of £39m. Cash flow on acquisition of subsidiaries, joint ventures and associates of £94m comprised £78m cash consideration less £1m cash and overdrafts acquired, £16m of deferred consideration relating to previous acquisitions and a £1m contribution to an existing joint venture in China.

### 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. In July, the Group acquired Greencoat, a UK-based animal supplement and care 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.

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.

### Disposals

### 2023

The Group agreed to sell property, plant and equipment to its Chinese joint venture partner. Profit on sale was £3m. In March Gledhow, the Group's 30% equity-accounted associate in Illovo South Africa, formally went into business rescue. A non-cash provision of £6m was booked on the financial guarantee held on this business' liabilities.

### 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.

## 8. Analysis of net debt

| | At 17 September 2022 £m | Cash flow £m | Acquisitions and Disposals £m | New leases and non-cash items £m | Exchange adjustments £m | **At 16 September 2023 £m** |
|---|---|---|---|---|---|---|
| Short-term loans | **(31)** | **13** | **(1)** | **(87)** | **7** | **(99)** |
| Long-term loans | **(480)** | **–** | **(1)** | **87** | **–** | **(394)** |
| Lease liabilities | **(3,252)** | **308** | **–** | **(279)** | **63** | **(3,160)** |
| Total liabilities from financing activities | **(3,763)** | **321** | **(2)** | **(279)** | **70** | **(3,653)** |
| Cash at bank and in hand, cash equivalents and overdrafts | **1,995** | **(534)** | **–** | **–** | **(73)** | **1,388** |
| Current asset investments | **4** | **(3)** | **–** | **–** | **(1)** | **–** |
| Net debt including lease liabilities | **(1,764)** | **(216)** | **(2)** | **(279)** | **(4)** | **(2,265)** |

| | 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 |
| Net debt including lease liabilities | (1,380) | (143) | (31) | (186) | (24) | (1,764) |

Cash and cash equivalents comprise bank and cash balances, deposits and short-term investments with original maturities of three months or less. £69m (2022 – £126m) 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.

Net cash before lease liabilities is £895m, comprising cash at bank and in hand, cash equivalents and overdrafts of £1,388m, short-term loans of £99m, long-term loans of £394m and current asset investments of £nil (2022 - £1,488m, £1,995m, £31m, £480m and £4m, respectively).

£69m (2022 – £126m) of bank overdrafts plus the £99m (2022 – £31m) of short-term loans shown above comprise the £168m (2022 – £157m) 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 £335m and £2,825m respectively (2022 – £316m and £2,936m respectively) comprise the £3,160m (2022 – £3,252m) 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 £(18)m, expense of £(128)m, payments of £118m, effect of hyperinflationary economies of £3m and a closing balance of £(25)m (2022 - opening balance of £(20)m, expense of £(111)m, payments of £114m, fx of £(1)m and a closing balance of £(18)m).

## 9. Related parties

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

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

| | Sub note | 2023 £000 | 2022 £000 |
|---|---|---|---|
| Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings | | **985** | 930 |
| Dividends paid by Associated British Foods and received in a beneficial capacity by: | | | |
| i. trustees of the Garfield Weston Foundation and their close family | 1 | **11,219** | 12,361 |
| ii. directors of Wittington Investments Limited who are not trustees of the Foundation and their close family | | **2,159** | 2,322 |
| iii. directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited | | **89** | 128 |
| Sales to fellow subsidiary undertakings on normal trading terms | 2 | **18** | 48 |
| Sales to companies with common key management personnel on normal trading terms | 3 | **9,912** | 16,891 |
| Amounts due from companies with common key management personnel | 3 | **1,028** | 2,898 |
| Sales to joint ventures on normal trading terms | | **40,645** | 54,111 |
| Sales to associates on normal trading terms | | **88,753** | 73,360 |
| Purchases from joint ventures on normal trading terms | | **482,267** | 436,467 |
| Purchases from associates on normal trading terms | | **97,844** | 13,879 |
| Amounts due from joint ventures | | **36,986** | 37,865 |
| Amounts due from associates | | **8,745** | 9,151 |
| Amounts due to joint ventures | | **17,609** | 30,214 |
| Amounts due to associates | | **7,161** | 594 |

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 16 September 2023 was the beneficial owner of 683,073 shares (2022 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2022 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 16 September 2023 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. The fellow subsidiary undertaking is Fortnum and Mason plc.
3. The company with common key management personnel is the George Weston Limited group, in Canada.

Amounts due from joint ventures include £32m (2022 – £29m) of finance lease receivables. The remainder of the balance is trading balances. All but £4m (2022 – £4m) of the finance lease receivables are non-current.

## 10. Other Information

The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 16 September 2023, or the 52 weeks ended 17 September 2022. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts.

## 11. Basis of preparation

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

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

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

Details of accounting standards which came into force in the year are set out in note 12 below.

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 16 September 2023 (2022 – 52 weeks ended 17 September 2022).

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 16 September.

## 12. New accounting standards

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

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS 2018–2020:

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

- IFRS 17 Insurance Contracts, Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective 2024 financial year
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective 2024 financial year
- Definition of Accounting Estimates (Amendments to IAS 8) effective 2024 financial year
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective 2024 financial year
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) effective 2024 financial year
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), effective 2024 financial year
- Amendments to IAS 1 Presentation of Financial Statements,effective 2024 financial year
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), effective 2025 financial year (not yet endorsed by the UKEB)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, effective 2026 financial year (not yet endorsed by the UKEB)

## 13. Alternative performance measures

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

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

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

| APM | Closest equivalent IFRS measure | Definition/purpose | Reconciliation/calculation |
|---|---|---|---|
| Like-for-like sales | No direct equivalent | The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis.<br>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.<br>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.<br>It is measured against comparable trading days in each year. | Consistent with the definition given |
| Adjusted operating profit | Operating profit | Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets and exceptional items.<br>Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of Adjusted operating profit. | A reconciliation of this measure is provided on the face of the consolidated income statement and by operating segment in note 1 of the financial statements |
| Adjusted operating (profit) margin | No direct equivalent | Adjusted operating (profit) margin is Adjusted operating profit as a percentage of revenue. | 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.<br>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 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 | Reconciliations of these measures are provided in |

| APM | Closest equivalent IFRS measure | Definition/purpose | Reconciliation/calculation |
|---|---|---|---|
| earnings per share | | on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses, together with the related tax effect.<br><br>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. | 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 |
| Constant currency | Revenue and 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 | This measure 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 | This measure 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 investment in non-current assets in existing businesses and acquisition of new businesses. It comprises capital expenditure, cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings purchased from non-controlling interests and other investments, and 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 8 |
| 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 8 |
| Adjusted EBITDA | 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 |
| Free cash flow | No direct equivalent | This measure represents the cash that the Group generates from its operations after maintaining and investing in its capital assets.<br><br>All the items below Adjusted EBITDA can be found on the face of the cash flow statement or derived directly from it.<br><br>Working capital comprises the movements in inventories, receivables and payables within net cash generated from operating activities.<br><br>Net interest paid is the sum of interest received within net cash used in investing activities and interest paid within net cash used in financing activities. | See note G |

| APM | Closest equivalent IFRS measure | Definition/purpose | Reconciliation/calculation |
|---|---|---|---|
| | | Share of adjusted profit after tax from joint ventures and associates is the amount on the face of the cash flow statement, plus the £3m (2022 – £3m) non-operating intangible amortisation which is not included in Adjusted EBITDA.<br><br>Other includes all other items from net cash generated from operating activities and net cash used in investing activities except for the purchase and sale of subsidiaries, joint ventures and associates, plus dividends paid to non-controlling interests and the movement from changes in own shares held. | |
| Total liquidity | No direct equivalent | Total liquidity comprises cash at bank and in hand and cash equivalents less current loans and overdrafts, and an estimate of inaccessible cash, plus the undrawn RCF.<br><br>In our Annual Report and Accounts, Cash at bank and in hand and cash equivalents are set out in note 18 and current loans and overdrafts are set out in note 19.<br><br>Inaccessible cash is generally located in jurisdictions where there is limited access to foreign currency or where there are exchange controls. It is estimated at 5% of cash at bank and in hand and cash equivalents.<br><br>The RCF is long-term, legally committed and contains no performance covenants. | See note H |
| (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.<br><br>Average capital employed for each segment and the Group is calculated by averaging the capital employed for each period of the financial year based on the reporting calendar of each business. | Consistent with the definition given |
| Return on (average) capital employed | No direct equivalent | This measure expresses Adjusted operating profit as a percentage of 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.<br><br>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 | Ingredients £m | Agriculture £m | Sugar £m | Retail £m | Central and disposed businesses £m | Total £m |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| External revenue from continuing businesses | **4,198** | **2,157** | **1,840** | **2,547** | **9,008** | **–** | **19,750** |
| Adjusted operating profit | **448** | **214** | **41** | **169** | **735** | **(94)** | **1,513** |
| Adjusted operating margin % | **10.7%** | **9.9%** | **2.2%** | **6.6%** | **8.2%** | | **7.7%** |
| **2022** | | | | | | | |
| External revenue from continuing businesses | 3,735 | 1,827 | 1,722 | 2,016 | 7,697 | – | 16,997 |
| Adjusted operating profit | 399 | 159 | 47 | 162 | 756 | (88) | 1,435 |
| Adjusted operating margin % | 10.7% | 8.7% | 2.7% | 8.0% | 9.8% | | 8.4% |

## Note B

| | Grocery £m | Ingredients £m | Agriculture £m | Sugar £m | Retail £m | Central and disposed businesses £m | Total £m |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| External revenue from continuing businesses at actual rates | **4,198** | **2,157** | **1,840** | **2,547** | **9,008** | **–** | **19,750** |
| **2022** | | | | | | | |
| External revenue from continuing businesses at actual rates | 3,735 | 1,827 | 1,722 | 2,016 | 7,697 | – | 16,997 |
| Impact of foreign exchange | 51 | 46 | 3 | (40) | 137 | – | 197 |
| External revenue from continuing businesses at constant currency | 3,786 | 1,873 | 1,725 | 1,976 | 7,834 | – | 17,194 |
| % change at constant currency | +11% | +15% | +7% | +29% | +15% | | +15% |

| | Grocery £m | Ingredients £m | Agriculture £m | Sugar £m | Retail £m | Central and disposed businesses £m | Total £m |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Adjusted operating profit at actual rates | **448** | **214** | **41** | **169** | **735** | **(94)** | **1,513** |
| **2022** | | | | | | | |
| Adjusted operating profit at actual rates | 399 | 159 | 47 | 162 | 756 | (88) | 1,435 |
| Impact of foreign exchange | 16 | 8 | 1 | (5) | 4 | – | 24 |
| Adjusted operating profit at constant currency | 415 | 167 | 48 | 157 | 760 | (88) | 1,459 |
| % change at constant currency | +8% | +28% | -15% | +8% | -3% | | +4% |

## Note C

| | 2023 | 2022 |
|---|---|---|
| Adjusted earnings per share (pence) | **141.8** | 131.1 |
| Dividends relating to the year (pence) - excluding special dividend proposed | **47.3** | 43.7 |
| Dividend cover | **3** | 3 |

## Note D

| From the cash flow statement | 2023 £m | 2022 £m |
|---|---|---|
| Purchase of property, plant and equipment | **997** | 680 |
| Purchase of intangibles | **76** | 89 |
| Capital expenditure | **1,073** | 769 |

## Note E

| From the cash flow statement | 2023 £m | 2022 £m |
|---|---|---|
| Purchase of property, plant and equipment | **997** | 680 |
| Purchase of intangibles | **76** | 89 |
| Purchase of subsidiaries, joint ventures and associates | **94** | 154 |
| Purchase of other investments | **4** | 7 |
| Gross investment | **1,171** | 930 |

## Note F

| | 2023 £m | 2022 £m |
|---|---|---|
| Adjusted operating profit | **1,513** | 1,435 |
| Charged to adjusted operating profit: | | |
| Depreciation of property, plant and equipment | **531** | 521 |
| Amortisation of operating intangibles | **44** | 24 |
| Depreciation of right-of-use assets and non-cash lease adjustments | **273** | 281 |
| Adjusted EBITDA | **2,361** | 2,261 |
| Net debt including lease liabilities | **(2,265)** | (1,764) |
| Financial leverage ratio | **1.0** | 0.8 |

## Note G

| | 2023 £m | 2022 £m |
|---|---|---|
| Adjusted EBITDA (see note F) | **2,361** | 2,261 |
| Repayment of lease liabilities net of incentives received | **(246)** | (275) |
| Working capital | **(216)** | (729) |
| Capital expenditure (see note D) | **(1,073)** | (769) |
| Purchase of subsidiaries, joint ventures and associates | **(94)** | (154) |
| Sale of subsidiaries, joint ventures and associates | **4** | – |
| Net interest paid | **(74)** | (97) |
| Income taxes paid | **(341)** | (304) |
| Share of adjusted profit after tax from joint ventures and associates | **(127)** | (112) |
| Dividends received from joint ventures and associates | **107** | 93 |
| Other | **(32)** | 2 |
| Free cash flow | **269** | (84) |

## Note H

| | 2023 £m | 2022 £m |
|---|---|---|
| Cash at bank and in hand and cash equivalents | **1,457** | 2,121 |
| Current loans and overdrafts | **(168)** | (157) |
| Estimated inaccessible cash | **(73)** | (106) |
| RCF | **1,500** | 1,500 |
| Total liquidity | **2,716** | 3,358 |