

Wittington Investments Limited

Registered number 00366054

Strategic Report, Directors' Report and Financial Statements

14 September 2019



Contents

Strategic report	1
Directors' report	5
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	8
Independent Auditor's Report to the Members Of Wittington Investments Limited	9
Consolidated income statement	11
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Consolidated cash flow statement	15
Consolidated statement of changes in equity	16
Notes	17

Strategic Report

Group Business Model and Strategy

The business of Wittington Investments Limited (the 'Company' or 'Wittington') is the management of investments in a wide range of assets. Of these, the most significant, accounting for some 97% of its consolidated profits before taxation, is its 54.5% shareholding in Associated British Foods plc ('ABF'), which is quoted on The London Stock Exchange.

The Company is managed in six different business segments, being the ABF Group, Other Retail, Real Estate, Hotels, Private Markets and Other Investments. Operational decisions are made by managers in each of the business segments as, in our experience, these decisions are most successful when made by the people who have the best understanding of their markets. The corporate centre aims to provide a framework within which these managers have the freedom and decision-making authority to pursue opportunities as they arise. Short lines of communication ensure prompt, incisive and unambiguous decision making while maintaining appropriate levels of monitoring and support.

The corporate centre agrees strategy and budgets with the businesses and closely monitors their performance. The group balance sheet is managed to ensure long-term financial stability for the group. The Company operates to high ethical standards and encourages an open and honest culture in all its dealings to ensure that core values are fully implemented throughout the group.

The group takes a long term approach to investment and is committed to increasing shareholder value through sound business decisions which will deliver sustainable growth in earnings and dividends.

Business Strategies

ABF is a diversified international food, ingredients and retail group with sales of £15.8bn, 138,000 employees and operations in 52 countries across Europe, southern Africa, the Americas, Asia and Australia. Further details can be found in ABF's Annual Report 2019 which can be found at www.abf.co.uk.

Grocery

Each of the grocery businesses pursues an independent strategy appropriate to its particular market position and stage of development. Twinings, Ovaltine, Acetum, Jordans Dorset Ryvita and AB World Foods have had considerable success extending their reach into new and emerging markets, whilst some are focused on developing brands in their core domestic markets. All of the businesses are committed to the consistent development of their brands, and consumer research is conducted locally and internationally to establish consumer needs and ensure appropriately targeted investment. Production facilities are well maintained and a long term approach is taken to capital investment, recognising the merits of building for the future. Acquisitions are undertaken when opportunities are presented to either strengthen or complement existing businesses.

Sugar

AB Sugar is one of the world's largest and most diverse sugar producers and has a simple vision to be the world's leading sugar business. In addition to producing a wide range of sugar and co-products, it is an energy and power supplier and, as part of the wider agri-business value chain, is an important contributor to the economy across all its locations. It continues to use development and innovation to meet the changing needs of its customers, to improve operations, and to work with its growers to ensure sustainable, efficient, agricultural production. It is committed to developing its people to build capability and capacity across its business.

Agriculture

AB Agri is a unique group of leading agricultural businesses operating across the entire food supply chain. It operates through individual, entrepreneurial businesses empowered to grow their interests independently and through a strong network of contacts across the entire food supply chain. Organic growth is achieved through innovative product development and by extending the business's already broad geographic reach into new areas adjacent to its core capabilities. AB Agri will continue its successful strategy of seeking to make complementary acquisitions to strengthen its portfolio of businesses and its technical capability. It will also continue to collaborate with other businesses in the group to harness new contacts and technologies.

Ingredients

The Ingredients business is dedicated to understanding the key requirements of customers and their end-use markets in order to ensure a relevant supply of ingredients, systems, products and technology that create value. They develop partnership relationships with customers to achieve a genuine understanding of their products, formulations, equipment and processes and the market environment in which the products are sold. It aims to grow by providing outstanding customer service backed by a high level of investment in technology, innovation, research and development.

Retail

Primark offers great value for money which it achieves by incurring minimal advertising costs; buying in vast quantities and passing on the cost savings to customers; keeping overheads to a minimum but investing in state of the art logistics; and by not compromising its high quality standards. Although Primark does not own the companies or factories that produce its merchandise,

Strategic Report *(continued)*

it recognises its responsibility to the workers in those factories, and to its customers, to ensure that its products are made in good working conditions.

WIL Group

Other Retail

Other Retail comprises Fortnum & Mason plc and Heal's plc, two long-established retailers. The aim for each of these businesses is to build a sustainable and profitable business over the long term by providing an outstanding customer experience through all channels and by developing the product offer. They also aim to develop their respective digital business and, where appropriate, international activities. They invest as appropriate in people, processes and systems to support the business.

Real Estate

Wittington invests in high-quality investment properties in the retail, office and distribution sectors across the UK. It also takes strategic positions in selective development opportunities, alongside local partners or sector specialists, where it can use its balance sheet and long-term time horizon to unlock the potential in those sites.

Hotels

As an extension of its Real Estate strategy, Wittington invests in hotels. It looks for properties with fundamentally high quality real-estate backing and with a broad mix of customers from corporate, event and leisure markets.

Private Markets

Wittington invests both directly and via externally managed funds in private equity and private debt markets. This is a long term asset class and exposures are managed to provide a diverse portfolio by sector, geography and age of company. It also invests selectively in special situations.

Other Investments

Other investments are principally composed of liquid investments in short-dated investment grade bonds as well as listed equities, which provides portfolio diversification and enables liquidity and portfolio needs to be met.

Business Review

ABF Group

Grocery

Grocery revenues were 2% ahead of last year at constant currency and growth in adjusted operating profit was excellent at 10%. This year's result included a £12m one time cost for the closure of the Twinings tea factory in China. Adjusting for this, operating profit was up 14% at constant currency. Margin, at 10.8%, improved significantly again this year with major improvements delivered by George Weston Foods in Australia, ACH in the US, Acetum and Twinings Ovaltine on an underlying basis. Adjusted operating profit was £380m (2018: £335m).

Sugar

AB Sugar revenues were 5% down on last year at constant currency and adjusted operating profit was well down. The profit decline for the year reflects the first half performance. Profit in the second half was ahead of both expectation and last year. EU sugar prices were much lower this year and impacted the UK and Spanish businesses while a poor crop reduced production and sales volumes in China. The African sugar business, Illovo, delivered another successful year. Adjusted operating profit was £26m (2018: £123m).

Agriculture

AB Agri revenues were 2% ahead of last year at constant currency, driven by higher feed sales in the UK and China where higher feed prices reflected increased raw material costs. Adjusted operating profit, however, was down 30% mainly due to the loss of high margin co-products from the Vivergo bioethanol plant, which was closed last autumn, and lower margins on UK animal feed. Adjusted operating profit was £42m (2018: £59m).

Ingredients

At constant currency, Ingredients' revenues were 4% ahead of last year. Adjusted operating profit, however, declined by 6% at constant currency, which was driven by a significant fall in the result for AB Mauri Argentina as a result of a challenging economy, increased competition, and the adoption of hyperinflationary accounting under IAS 29. Adjusted operating profit was £136m (2018: £143m).

Retail

Sales at Primark were 4.2% ahead of last year at actual exchange rates, and 4.1% ahead at constant currency, driven by increased selling space partially offset by a 2% decline in like-for-like sales. Operating profit margin increased to 11.7% from 11.3% and, as a consequence, adjusted operating profit was 8% ahead. Adjusted operating profit was £913m (2018: £843m).

Strategic Report *(continued)*

WIL Group

Luxury Retail

Fortnum & Mason

Sales for the 52-week period ended 14 July 2019 grew by 10% to £138m (2018: 53-week period ended 15 July 2018 grew by 12% to £126m) and profit before taxation grew by 27% to £12.1m (2018: profit before tax grew 26% to £9.6m). The business continues to invest for long-term growth with capital investment in the year of £12.6m (2018 – £6.8m) whilst driving further improvements to working capital.

Heal's

Sales grew by 3% (2018: 12%) in the year to £30.5m (2018 - £29.7m) despite the results having been adversely affected by a fire at the company's distribution centre in Lancashire in February. The lost stock and sales (estimated to be £2m) were covered by insurance. Having reached a positive EBITDA last year, the company achieved a breakeven operating profit in the period (2018: loss of £0.7m), building on its return to profitability after a number of years of recording losses. The strategic focus is to continue to build its digital brand and to combine its online presence with a small number of showrooms.

Hotels

Grand Hotel, Brighton

As anticipated in last year's report, profitability recovered strongly during the financial year to a profit after tax of £1.7m (2018: loss of £0.3m) as the benefit of trading without the façade scaffolding allowed room rates to recover. Conference and event demand remains relatively subdued with short lead times reflecting the lack of business confidence. Cost pressures, notably in energy and labour, remain considerable but the business continues to invest in its personnel, as evidenced by it winning "Best Employer" at *The Cateys*, the hotel industry's annual awards. Further investment is being made in the spa and restaurant during the current financial year.

Richmond Hill Hotel

A further phase of room upgrades, to the historic Georgian parts of the hotel and substantial upgrade to the bar and restaurant completed during the year. The hotel achieved a profit after tax of £0.6m (2018: £1.1m), delivered occupancy and room rates in line with expectations.

Real Estate

Loss after tax amounted to £5.4m (2018: profit £3.8m) which included an impairment of £1.1m in respect of the carrying value of some of the retail properties. This year was relatively quiet as regards acquiring and divesting investment properties. Nevertheless, considerable work went in to bringing forward two refurbishment projects in Manchester and managing through a number of lease events.

Private Markets

Performance of the closed-end funds portfolio has been strong overall during the year with profit before tax of £4.5m (2018 - £8.0m) After a weak final quarter of calendar 2018, most asset classes saw prices recover and our private equity and debt funds followed suit. Some successful exits by managers during the year resulted in cash inflows and new investments were made in secondaries' funds. In the direct portfolio, very strong trading in our principal asset drove performance of the portfolio.

Other Investments

We continue to be positioned towards the short end in debt markets, valuing liquidity and not seeing much yield pick-up at the long end of the market with yield curves still being relatively flat (with periods of inversion during the year). Further investments were made into credit strategies which have performed well over the previous few years, with new managers appointed to provide portfolio diversification. Profit before tax for the year was £5.1m (2018 - £4.4m)

ABF Corporate Responsibility

As a diversified international food, ingredients and retail group with 138,000 employees and operations in 52 countries across Europe, southern Africa, the Americas, Asia and Australia ABF takes its responsibilities to wider society seriously. ABF publishes a full corporate responsibility report every three years, most recently in 2019. Corporate responsibility is a central part of how the business is run and is incorporated into the day to day decision making processes. In the Corporate Responsibility Report, ABF shares information on its anti-bribery and corruption policy, whistleblowing policy, approach to human rights, social matters, environment policy, employees and diversity. Further information and a copy of the 2019 ABF Corporate Responsibility Report are available at www.abf.co.uk/responsibility and at www.abf.co.uk/modern_slavery_statement.

In 2019, ABF's total energy use was 23,565 GWh, a 2% increase on 2018. The sugar businesses consumed 82% of the group's energy this year. Of this total energy used, 52% came from renewable sources, and 971 GWh of energy was exported to the national grid or other organisations, which is an 18% increase on last year. Overall, the scope 1, 2, and 3 GHG emissions in 2019 were 4.75 million tonnes of carbon dioxide equivalent which is a 4% decrease on the emissions in the previous year. Further details can be found in the ABF 2019 Annual Report at www.abf.co.uk.

Strategic Report *(continued)*

ABF is committed to gender diversity and, across the business overall, the gender split is close to equal with 52% of the workforce last year being female. The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 were introduced in April 2017, and ABF has collected the required data for all of its relevant employees. Further details for each of the UK legal entities that are required to report, data is published online and submitted to the Government's Gender Pay Reporting website in accordance with the legislation. Further information can be found in in the ABF 2019 Annual Report at www.abf.co.uk

Being a responsible company means respecting the human rights of all the people who interact with the business, whether they are direct employees, temporary workers or those in the supply chain. ABF's approach to human rights and the steps it takes to try to ensure that modern slavery, in any of its forms, is not present within its operations or supply chains is set out in the 2019 Modern Slavery and Human Trafficking Statement at www.abf.co.uk/modern_slavery_statement_2019. Many of the businesses have compiled their own statements, and all published statements can be found at www.abf.co.uk/responsibility/cr_downloads.

ABF is committed to maintaining the highest standard of ethics and compliance with all relevant laws wherever it does business. Compliance with anti-bribery and anti-corruption laws is an essential part of this and ABF maintains a robust compliance system which is designed to respect both the spirit and letter of the relevant laws. A copy of the group's Anti-Bribery and Corruption Policy is available at www.abf.co.uk/responsibility

Effective and honest communication is essential if malpractice and wrongdoing are to be dealt with effectively. ABF's Whistleblowing Policy provides guidelines for people who feel they need to raise certain issues in confidence. A copy of the Whistleblowing Policy is available at www.abf.co.uk/responsibility

Principal Risks and Uncertainties

Given the relative importance of the holding in ABF in the context of the Wittington group of companies, the Directors' consider that the principal risks facing ABF can be considered a good proxy for those affecting the group overall.

ABF Principal Risks and Uncertainties

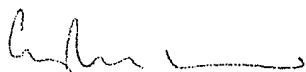
Each business is responsible for its own risk management assessment which is reported to the group's Director of Financial Control annually. At the ABF level, key risks and internal control procedures are reviewed by the ABF board. The board reviews annually the material risks facing the business together with the internal control procedures and resources devoted to them. The principal risks currently identified are:

External Risks: movement in exchange rates; fluctuations in commodity and energy prices; operating in global markets; health and nutrition concerns.

Operational Risks: workplace health and safety; product safety and quality; use of natural resources and managing environmental impact; supply chain and ethical business practices; and breaches of IT and information security.

Brexit

Following the referendum decision in 2016, the ABF group established an EU Exit Steering Committee which consists of a small dedicated team which worked with all businesses to assess the risks and opportunities arising from the UK's decision to leave the EU. This Steering Committee has reached the conclusion that the overall impact of Brexit on the group is relatively minor. We recognise that the current political situation makes the final outcome of negotiations between the UK and the EU uncertain. While we would prefer a negotiated exit, we are prepared for any of the potential outcomes.



Guy Weston
Chairman

18 December 2019

Wittington Investments Limited
Registered office:
Weston Centre
10 Grosvenor Street
London
W1K 4QY
Company Number 00366054

Directors' Report

The directors present their annual report and audited financial statements for the 52 weeks ended 14 September 2019, in accordance with section 415 of the Companies Act 2006. The Board considers that the Company's Annual Report and Accounts 2019, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's performance, business model and strategy.

Results and Dividends

The consolidated income statement is on page 11. Profit for the financial period amounted to £972m (2018: £998m) and dividends to £101m (2018: £92m). Dividends are detailed in note 8. Profit for the financial period attributable to equity shareholders amounted to £555m (2018: £549m).

Directors

The Directors who held office throughout the year were as follows:

Guy Weston (Chairman)
Emma Adamo
Sir Harry Djanogly
Martin Hattrell
Anna Catrina Hobhouse
Charles Mason
W. Galen Weston
G. Grainger Weston
George Weston
Garth Weston

The Company Secretary throughout the year was Amanda Geday.

Directors' Indemnities

One director of operating subsidiaries benefited from qualifying third-party indemnity provisions provided by ABF Investments plc during the financial year and at the date of the ABF 2019 Report. Also, the directors of a subsidiary company that acts as trustee of a pension scheme benefited from a qualifying pension scheme indemnity provision during the financial year and at the date of the ABF 2019 Report. Other than these, there were no qualifying third-party indemnity provisions provided by the Company or its subsidiaries during the financial year and as at the date of the ABF 2019 Report. The Company has in place appropriate directors' and officers' liability insurance cover in respect of legal action against its executive and non-executive directors amongst others.

Controlling Shareholder Relationship Agreement

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions in the Listing Rules. The Company and, through their control of the Company, the trustees of the Garfield Weston Foundation are controlling shareholders of ABF. On 14 November 2014 the Company entered into a relationship agreement with ABF and the trustees of the Garfield Weston Foundation containing the required undertakings. The Relationship Agreement was amended and restated on 29 March 2019.

Employees

Employees are the Group's most important resource and it therefore abides by the following principles:

Equal Opportunities – the group is committed to offering equal opportunities in recruitment, training, career development, and promotion to all people, having regard to their particular aptitudes and abilities. As a matter of policy, full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the group an opportunity for retraining and for continuation in employment. It is group policy that the training, career development and promotion of disabled persons should as far as possible, be the same as that of other employees.

Health and Safety – health and safety are considered as equal in importance to that of any other function of the Group and its business objectives.

Harassment – the Group will not tolerate sexual, mental or physical harassment in the workplace.

Directors' Report (continued)

Human Rights – managers must take account of the core International Labour Organization labour conventions and strive to observe the UN Universal Declaration of Human Rights. It remunerates fairly with respect to skills, performance, its peers and local conditions.

Communication – employees and their representatives are briefed and consulted on all relevant matters on a regular basis in order to take their views into account in decision-making and to achieve a common awareness of all the economic and financial factors affecting the performance of the Group.

Security – the security of staff and customers is paramount and the Group will at all times take the necessary steps to minimise risks to their safety.

Controlling Interest

Details of a controlling interest in the shares of the Company are given in note 29. Other than as noted, so far as is known, no other person holds or is beneficially interested in a disclosable holding in the Company.

Branches

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

Financial risk management

Details of the group's use of financial instruments, together with information on our risk objectives and policies and our exposure to price, credit, liquidity, cash flow and interest rate risks, can be found in note 26.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the group. The Company has a major technical centre in the UK at the Allied Technical Centre. Facilities also exist at ACH Food Companies in the USA, AB Mauri in Australia and the Netherlands, and AB Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

Disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the reasonable steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. For these purposes, relevant audit information means information needed by the Company's auditor in connection with the preparation of its report on page 9.

Auditors

In accordance with section 485(4) of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

Corporate Governance

Maintaining effective corporate governance is fundamental to the Board's ability to discharge its duties to shareholders. The ABF Board considers that ABF has, throughout the 52 weeks ended 14 September 2019, applied the main principles and complied with the provisions set out in the UK Corporate Governance Code, with one exception, which it explains in its Report.

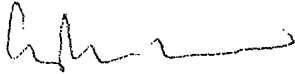
The Board acknowledges its responsibilities for the group's system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the group's assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks. Effective controls ensure that the group's exposure to avoidable risk is minimised, that proper accounting records are maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The directors confirm that there is a process for

Directors' Report *(continued)*

identifying, evaluating and managing the risks faced by the group and the operational effectiveness of the related controls. They also confirm that they have regularly reviewed the system of internal controls.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future.



Guy Weston
Chairman
18 December 2019

Wittington Investments Limited
Registered office:
Weston Centre
10 Grosvenor Street
London
W1K 4QY
Company Number 00366054

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of Wittington Investments Limited

Opinion

We have audited the financial statements of Wittington Investments Limited (the 'company') and its subsidiaries (the 'group') for the 52 weeks ended 14 September 2019 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the related notes 1 to 30 including a summary of significant accounting policies, company balance sheet, company statement of changes in equity and the related notes 1 to 8 including a summary of significant company accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 14 September 2019 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the strategic report and directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Wittington Investments Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

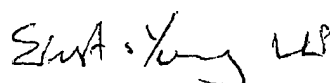
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Philip Young (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 December 2019

Consolidated income statement
for the 52 weeks ended 14 September 2019

	<i>Note</i>	<i>Total 2019</i> <i>£m</i>	<i>Total 2018</i> <i>£m</i>
Continuing operations			
Revenue	5	16,025	15,771
Operating costs	3	(14,726)	(14,547)
Exceptional items	3	(14)	-
		<hr/>	<hr/>
		1,285	1,224
Share of profit after tax from joint ventures and associates	13	57	54
Profits less losses on disposal of non-current assets		4	18
		<hr/>	<hr/>
Operating profit		1,346	1,296
<hr/>			
Adjusted operating profit		1,420	1,409
Profits less losses on disposal of non-current assets		4	18
Amortisation of non-operating intangibles	9	(47)	(41)
Acquired inventory fair value adjustments	3	(15)	(23)
Transaction costs	3	(2)	(2)
Impairment of property, plant & equipment	3	-	(65)
Exceptional items	3	(14)	-
<hr/>			
Profit less losses on sale and closure of businesses	23	(94)	(34)
		<hr/>	<hr/>
Profit before interest		1,252	1,262
<hr/>			
Financial income	6	56	43
Financial expense	6	(49)	(57)
Other financial income	6	12	4
		<hr/>	<hr/>
Profit before taxation		1,271	1,252
<hr/>			
Adjusted profit before taxation		1,439	1,399
Profits less losses on disposal of non-current assets		4	18
Amortisation of non-operating intangibles	9	(47)	(41)
Acquired inventory fair value adjustments	3	(15)	(23)
Transaction costs	3	(2)	(2)
Impairment of property, plant & equipment	3	-	(65)
Exceptional items	3	(14)	-
Profits less losses on sale and closure of businesses	23	(94)	(34)
<hr/>			
Taxation – UK (excluding tax on exceptional items)		(83)	(102)
Taxation – UK on exceptional items		(2)	-
Taxation – Overseas		(214)	(152)
		<hr/>	<hr/>
	7	(299)	(254)
		<hr/>	<hr/>
Profit for the period		972	998
<hr/>			
Attributable to:			
Equity holders of the parent		555	549
Non-controlling interests		417	449
		<hr/>	<hr/>
Profit for the period		972	998
		<hr/>	<hr/>

Consolidated statement of comprehensive income
for the 52 weeks ended 14 September 2019

	2019	2018
	<i>£m</i>	<i>£m</i>
Profit for the period recognised in the income statement	972	998
<i>Other comprehensive income</i>		
<i>Remeasurement of defined benefit schemes</i>	(407)	310
<i>Deferred tax associated with defined benefit schemes</i>	68	(53)
<i>Current tax associated with defined benefit schemes</i>	2	-
	<hr/>	<hr/>
<i>Items that will not be reclassified to profit or loss</i>	(337)	257
<i>Effect of movements in foreign exchange</i>	43	(85)
<i>Net gain/(loss) on hedge of net investment in foreign subsidiaries</i>	3	(10)
<i>Deferred tax associated with movements in foreign exchange</i>	-	1
<i>Movement in foreign exchange on businesses disposed</i>	(3)	-
<i>Movement of cash flow hedging position</i>	(29)	55
<i>Deferred tax associated with movement in cash flow hedging position</i>	7	(12)
<i>Share of other comprehensive income of joint ventures and associates</i>	4	-
<i>Effect of hyperinflationary economies</i>	38	-
<i>Deferred tax associated with hyperinflationary economies</i>	(2)	-
	<hr/>	<hr/>
<i>Items that are or may be subsequently reclassified to profit or loss</i>	61	(51)
	<hr/>	<hr/>
Other comprehensive income for the period	(276)	206
	<hr/>	<hr/>
Total comprehensive income for the period	696	1,204
	<hr/>	<hr/>
Attributable to:		
Equity shareholders	405	662
Non-controlling interest	291	542
	<hr/>	<hr/>
Total comprehensive income for the period	696	1,204
	<hr/> <hr/>	<hr/> <hr/>

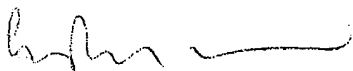
Consolidated balance sheet
at 14 September 2019

	<i>Note</i>	2019	2018
		<i>£m</i>	<i>£m</i>
Non-current assets			
<i>Intangible assets</i>	9	1,691	1,640
<i>Property, plant and equipment</i>	10	5,903	5,807
<i>Investment property</i>	12	187	182
<i>Investments in joint ventures</i>	13	231	225
<i>Investments in associates</i>	13	50	61
<i>Employee benefits assets</i>	14	228	579
<i>Deferred tax assets</i>	15	161	133
<i>Other receivables</i>	16	62	60
		<hr/>	<hr/>
Total non-current assets		8,513	8,687
		<hr/>	<hr/>
Current assets			
<i>Assets classified as held for sale</i>	17	43	-
<i>Inventories</i>	18	2,400	2,200
<i>Biological assets</i>	11	84	84
<i>Trade and other receivables</i>	16	1,458	1,457
<i>Derivative assets</i>	26	99	132
<i>Income tax</i>		24	54
<i>Other financial assets</i>	26	947	832
<i>Cash and cash equivalents</i>	19	1,951	1,812
		<hr/>	<hr/>
Total current assets		7,006	6,571
		<hr/>	<hr/>
Total assets		15,519	15,258
		<hr/> <hr/>	<hr/> <hr/>
Current liabilities			
<i>Liabilities classified as held for sale</i>	17	(6)	-
<i>Loans and overdrafts</i>	20	(228)	(421)
<i>Trade and other payables</i>	21	(2,607)	(2,573)
<i>Derivative liabilities</i>	26	(52)	(52)
<i>Income tax</i>		(163)	(160)
<i>Provisions</i>	22	(64)	(88)
		<hr/>	<hr/>
Total current liabilities		(3,120)	(3,294)
		<hr/>	<hr/>
Non-current liabilities			
<i>Loans</i>	20	(408)	(401)
<i>Other payables</i>	21	(271)	(269)
<i>Provisions</i>	22	(54)	(52)
<i>Deferred tax liabilities</i>	15	(269)	(321)
<i>Employee benefits liabilities</i>	14	(195)	(144)
		<hr/>	<hr/>
Total non-current liabilities		(1,197)	(1,187)
		<hr/>	<hr/>
Total liabilities		(4,317)	(4,481)
		<hr/> <hr/>	<hr/> <hr/>
Net assets		11,202	10,777
		<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet (continued)
at 14 September 2019

	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>
Equity		
<i>Issued capital</i>	<i>1</i>	<i>1</i>
<i>Share premium</i>	<i>382</i>	<i>382</i>
<i>Other reserves</i>	<i>52</i>	<i>52</i>
<i>Translation reserve</i>	<i>233</i>	<i>207</i>
<i>Hedging reserve</i>	<i>(4)</i>	<i>8</i>
<i>Retained earnings</i>	<i>6,166</i>	<i>5,877</i>
	<hr/>	<hr/>
Total equity attributable to equity shareholders	<i>6,830</i>	<i>6,527</i>
Non-controlling interest	<i>4,372</i>	<i>4,250</i>
	<hr/>	<hr/>
Total equity	<i>11,202</i>	<i>10,777</i>
	<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 18 December 2019 and were signed on its behalf by:



Guy Weston
Director

Company Number 00366054

Consolidated cash flow statement for period ended 14 September 2019

	2019	2018
	£m	£m
Cash flows from operating activities		
Profit before taxation	1,271	1,252
Profits less losses on disposal of non-current assets	(4)	(18)
Profits less losses on sale and closure of businesses	94	34
Financial income	(56)	(43)
Financial expense	49	57
Other financial expense/(income)	(12)	(4)
Share of profit after tax from joint ventures and associates	(57)	(54)
Amortisation	69	67
Depreciation	551	516
Impairment of property, plant & equipment	-	65
Exceptional item	14	-
Transaction costs	2	2
Acquired inventory fair value adjustments	15	23
Effect of hyperinflationary economies	6	-
Net change in the fair value of current biological assets	-	5
Share-based payment expense	22	19
Impairment of investment properties	11	10
Impairment of other financial assets	5	-
Pension cost less contributions	(7)	3
Increase in inventories	(203)	(35)
(Increase)/decrease in receivables	17	(107)
Increase/(decrease) in payables	54	(13)
Purchase less sales of current biological assets	(1)	(1)
Decrease in provisions	(28)	(30)
Cash generated from the operations	1,812	1,748
Income taxes paid	(282)	(306)
Net cash from operating activities	1,530	1,442
Cash flows from investing activities		
Dividends received from joint ventures and associates	72	45
Purchase of property, plant & equipment	(698)	(794)
Purchase of intangibles	(60)	(85)
Sale of property, plant & equipment	12	23
Purchase of investment properties	(17)	5
Purchase of subsidiaries, joint ventures and associates	(84)	(208)
Net cash flow from private equity investments	3	-
Sale of subsidiaries, joint ventures and associates	6	1
Sale of investment properties	-	39
Interest and dividends received	30	17
Net cash from investing activities	(736)	(970)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(166)	(153)
Dividends paid to equity shareholders	(101)	(92)
Interest paid	(44)	(51)
Increase in other financial assets	(107)	(24)
Increase/(decrease) in short-term loans	(264)	(115)
Increase in long-term loans	7	13
Sale of shares in subsidiary undertakings from non-controlling interests	(1)	1
Purchase of shares in subsidiary undertakings from non-controlling interests	-	(1)
Movement in shares held by ABF	(25)	(30)
Net cash from financing activities	(701)	(452)
Net increase in cash and cash equivalents	93	20
Cash and cash equivalents at the beginning of the period	1,721	1,713
Effect of movements in foreign exchange	-	(12)
Cash and cash equivalents at the end of the period	1,814	1,721

Consolidated statement of changes in equity for the 52 weeks ended 14 September 2019

	Issued capital £m	Share premium £m	Other reserves £m	Transfusion reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance as at 16 September 2017	1	382	52	259	(17)	5,289	5,966	3,865	9,831
Total comprehensive income									
Profit for the period recognised in the income statement	-	-	-	-	-	549	549	449	998
Remeasurements of defined benefit schemes	-	-	-	-	-	169	169	141	310
Deferred tax associated with defined benefit schemes	-	-	-	-	-	(29)	(29)	(24)	(53)
Items that will not be reclassified to profit or loss	-	-	-	-	-	140	140	117	257
Effect of movements in foreign exchange	-	-	-	(46)	-	-	(46)	(39)	(85)
Net loss on hedge of net investment in foreign subsidiaries	-	-	-	(6)	-	-	(6)	(4)	(10)
Deferred tax associated with movements in foreign exchange	-	-	-	1	-	-	1	-	1
Movement in cash flow hedging position	-	-	-	(1)	32	-	31	24	55
Deferred tax associated with movement in cash flow hedging position	-	-	-	-	(7)	-	(7)	(5)	(12)
Items that are or may be subsequently reclassified to profit or loss	-	-	-	(52)	25	-	(27)	(24)	(51)
Other comprehensive income	-	-	-	(52)	25	140	113	93	206
Total comprehensive income	-	-	-	(52)	25	689	662	542	1,204
Transactions with owners									
Dividends paid to equity shareholders	-	-	-	-	-	(92)	(92)	(149)	(241)
Net movement in own shares held	-	-	-	-	-	(6)	(6)	(5)	(11)
Deferred tax associated with share-based payments	-	-	-	-	-	(1)	(1)	-	(1)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5)	(5)
Acquisition of non-controlling interests	-	-	-	-	-	(2)	(2)	2	0
Total transactions with owners	-	-	-	-	-	(101)	(101)	(157)	(258)
Balance as at 15 September 2018	1	382	52	207	8	5,877	6,527	4,250	10,777
Total comprehensive income									
Profit for the period recognised in the income statement	-	-	-	-	-	555	555	417	972
Remeasurements of defined benefit schemes	-	-	-	-	-	(222)	(222)	(185)	(407)
Deferred tax associated with defined benefit schemes	-	-	-	-	-	37	37	31	68
Current tax associated with defined benefit schemes	-	-	-	-	-	1	1	1	2
Items that will not be reclassified to profit or loss	-	-	-	-	-	(184)	(184)	(153)	(337)
Effect of movements in foreign exchange	-	-	-	23	-	-	23	20	43
Net gain on hedge of net investment in foreign subsidiaries	-	-	-	2	-	-	2	1	3
Movement in foreign exchange on businesses disposed	-	-	-	(2)	-	-	(2)	(1)	(3)
Movement in cash flow hedging position	-	-	-	-	(16)	-	(16)	(13)	(29)
Deferred tax associated with movement in cash flow hedging position	-	-	-	-	4	-	4	3	7
Share of other comprehensive income of joint ventures and associates	-	-	-	3	-	-	3	1	4
Effect of hyperinflationary economies	-	-	-	-	-	21	21	17	38
Deferred tax associated with hyperinflationary economies	-	-	-	-	-	(1)	(1)	(1)	(2)
Items that are or may be subsequently reclassified to profit or loss	-	-	-	26	(12)	20	34	27	61
Other comprehensive income	-	-	-	26	(12)	(164)	(150)	(126)	(276)
Total comprehensive income	-	-	-	26	(12)	391	405	291	696
Transactions with owners									
Dividends paid to equity shareholders	-	-	-	-	-	(101)	(101)	-	(101)
Net movement in own shares held	-	-	-	-	-	(2)	(2)	(1)	(3)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(166)	(166)
Acquisition of non-controlling interests	-	-	-	-	-	1	1	(2)	(1)
Total transactions with owners	-	-	-	-	-	(102)	(102)	(169)	(271)
Balance as at 14 September 2019	1	382	52	233	(4)	6,166	6,830	4,372	11,202

Notes (forming part of the financial statements)

1 Accounting policies

Wittington Investments Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom.

The consolidated financial statements for the 52 weeks ended 14 September 2019 comprise those of the Company and its subsidiaries (together referred to as the "group") and the group's interest in associates and joint arrangements. The parent company financial statements present information about the Company as a separate entity and not about its group.

Statement of compliance

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The Company has elected to prepare its parent Company financial statements under Financial Reporting Standard 101 *Reduced Disclosure Framework*.

Basis of preparation

The going concern basis has been applied in these accounts. The consolidated financial statements are presented in sterling, rounded to the nearest million. They are prepared on the historical cost basis except that current biological assets and certain financial instruments are stated at fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements under Adopted IFRS requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on experience. Actual results may differ from these estimates. Judgements made by management in the application of Adopted IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment next year, are discussed in Accounting estimates and judgements detailed in note 2.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised from the period in which the estimates are revised.

The accounting policies set out below have been applied to all periods presented, except where detailed otherwise.

Details of new accounting standards which came into force in the year are set out at the end of this note.

The consolidated financial statements of the group are prepared to the Saturday nearest to 15 September. Accordingly, these financial statements have been prepared for the 52 weeks ended 14 September 2019 (2018 - 52 weeks ended 15 September 2018). To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint ventures and associates are included up to 31 August each year and Fortnum and Mason plc is included up to 14 July 2018. Adjustments are made as appropriate for significant transactions or events occurring between 14 September and these other balance sheet dates.

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

Basis of consolidation

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

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

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

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the group. Provisional fair values are finalised within 12 months of the business combination date and, where significant, are adjusted by restatement of the comparative period in which the acquisition occurred. Non-controlling interests are measured at the proportionate share of the net identifiable assets acquired.

Existing equity interests in the acquiree are remeasured to fair value as at the date of the business combination, with any resulting gain or loss taken to the income statement.

Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include transaction costs, which are expensed as incurred. Contingent consideration is measured at fair value at the date of the business combination, classified as a liability or equity (usually as a liability), and subsequently accounted for in line with that classification. Changes in contingent consideration classified as a liability resulting other than from the finalisation of provisional fair values are accounted for in the income statement.

Revenue

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

In the 2018 financial year, revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer and when it can be measured reliably.

In the 2019 financial year, revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

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

In the retail business, revenue from the sale of goods is recognised when the customer purchases goods in-store. Returns are provided for as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account historical trends and past experience.

Borrowing costs

Borrowing costs are accounted for using the effective interest method. The group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying items of property, plant and equipment as part of their cost. Interest capitalised is taxed under current or deferred tax as appropriate.

Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement.

Adjusted operating profit

Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory and profits less losses on disposal of non-current assets. 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 noncurrent assets, exceptional items and profits less losses on sale and closure of businesses. Both measures are shown on the face of the income statement.

Adjusted earnings and adjusted earnings per share are shown in the notes and are stated before amortisation of nonoperating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses together with the related tax effect. Items as 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 and adjusted profit before tax. These items are identified in the relevant notes

Constant currency

Constant currency is derived by translating the prior year results at current year average exchange rates, except for countries where consumer price inflation (CPI) has escalated to extreme levels, in which case actual exchange rates are used. There are currently two countries where the group has operations which are experiencing extreme levels of CPI – Argentina and Venezuela.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date. Any resulting differences are taken to the income statement.

On consolidation, assets and liabilities of foreign operations that are denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. Income and expense items are translated into sterling at average rates of exchange.

Differences arising from the retranslation of opening net assets of group companies, together with differences arising from the restatement of the net results of group companies from average rates to rates at the balance sheet date, are taken to the translation reserve in equity.

Pensions and other post-employment benefits

The group's pension arrangements comprise defined benefit plans, defined contribution plans and other unfunded post-employment liabilities. For defined benefit plans, the amount charged in the income statement is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members by the group during the year. It also includes net interest expense or income calculated by applying the liability discount rate to the net pension asset or liability. For each plan, the difference between market value of assets and present value of liabilities is disclosed as an asset or liability in the balance sheet.

Any related deferred tax (to the extent recoverable) is disclosed separately in the balance sheet. Remeasurements are recognised immediately in other comprehensive income. Surpluses are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately as remeasurements in other comprehensive income.

Contributions payable by the group in respect of defined contributions plans are charged to operating profit as incurred. Other unfunded post-employment liabilities are accounted for in the same way as defined benefit pension plans.

Share-based payments

The fair value of share awards at grant date is recognised as an employee expense with a corresponding increase in equity, spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect expected and actual levels of vesting except where the failure to vest is as a result of not meeting a market condition.

Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; initial recognition of assets or liabilities affecting neither accounting nor taxable profit other than those acquired in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Financial assets and liabilities

Financial assets and liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provision of the instrument.

Trade and other receivables

Trade and other receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts was recognised under an 'incurred loss' model until 15 September 2018 and therefore it was dependent upon the existence of an impairment event. From 16 September 2018, the allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

Other non-current receivables

Other non-current receivables mainly comprise finance lease receivables due from a joint venture and minority shareholdings in private companies. Finance lease receivables are accounted for in the same way as trade and other receivables. Shareholdings in

Notes (continued)

1 Accounting policies (continued)

private companies are classified as "fair value through other comprehensive income". They are initially measured at fair value, including directly attributable transaction costs.

Gains or losses arising from changes in fair value are recognised in other comprehensive income until the asset is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is included directly in retained earnings and is not recycled to the income statement.

Until 15 September 2018, equity investments that did not have a quoted market price in an active market and whose fair value could not be reliably measured by other means were held at cost. From 16 September 2018, all equity investments must be measured at fair value under IFRS 9.

Bank and other borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other borrowings are initially measured at fair value net of direct issue costs and are subsequently held at amortised cost unless the loan is designated in a hedge relationship, in which case hedge accounting treatment will apply.

Trade payables

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Derivatives financial instruments and hedging

Derivatives are used to manage the group's economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts, futures, swaps or options (the 'hedging instrument'). The group does not use derivatives for speculative purposes.

Derivatives are recognised in the balance sheet, at fair value, based on market prices or rates, or calculated using either discounted cash flow or option pricing models.

Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting, when recognition of any change in fair value depends on the nature of the item being hedged.

The purpose of hedge accounting is to mitigate the impact on the group's income statement of changes in foreign exchange or interest rates and commodity prices, by matching the impact of the hedged risk and the hedging instrument in the income statement.

At the inception of a hedging relationship, the hedging instrument and the hedged item are documented, along with the risk management objectives and strategy for undertaking various hedge transactions and prospective effectiveness testing is performed. During the life of the hedging relationship, prospective effectiveness testing is performed (previously, both prospective and retrospective tests were required) to ensure the instrument remains an effective hedge of the transaction.

Changes in the value of derivatives used as hedges of future cash flows are recognised through other comprehensive income in the hedging reserve.

From 16 September 2018, the element of the change in fair value which relates to the currency spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve (in the period before 16 September 2018, the entire change in fair value was recognised in the hedging reserve) and any ineffective portion is recognised immediately in the income statement.

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

For hedges that do not result in the recognition of an asset or a liability, amounts recorded in the hedging reserve are recognised in the income statement in the same period in which the hedged item affects profit or loss.

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

Notes (continued)

1 Accounting policies (continued)

Changes in the fair value of derivative or non-derivative financial instruments that are designated and effective as hedges of net investments are recognised in other comprehensive income in the net investment hedging reserve. Any ineffective portion is recognised immediately in the income statement.

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

The group economically hedges foreign currency exposure on recognised monetary assets and liabilities but does not normally seek hedge accounting. Any derivatives that the group holds to hedge this exposure are classified as 'fair value through profit and loss' within derivative assets and liabilities. Changes in the fair value of such derivatives and the foreign exchange gains and losses arising on the related monetary items are recognised within operating profit.

Intangible assets other than goodwill

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

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment charges.

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

Technology and brands	– up to 15 years
Customer relationships	– up to 10 years
Grower agreements	– up to 10 years

Goodwill

Goodwill is defined under 'Business combinations' on page 18. Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies.

Goodwill is not amortised but is subject to an annual impairment review.

Research and development

Research expenditure is expensed as incurred. Development expenditure is capitalised if the product or process is technically and commercially feasible, but is otherwise expensed as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charge.

Impairment

The carrying amounts of the group's intangible assets, property, plant and equipment and investment property are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at least annually.

An impairment charge is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount - The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

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

Property, plant & equipment

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment charges.

Notes (continued)

1 Accounting policies (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant & equipment sufficient to reduce them to their estimated residual value. Land is not depreciated. Estimated useful lives are generally deemed to be no longer than:

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

Leases

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

Where the group is a lessee and has substantially all the risks and rewards of ownership of an asset, the arrangement is considered a finance lease. Finance leases are recognised as assets of the group within property, plant and equipment at the inception of the lease at the lower of fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the income statement. Other leases where the group is a lessee are treated as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease, as is the benefit of lease incentives.

Where the group is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Current Biological assets

Current biological assets are measured at fair value less costs to sell.

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

When harvested, growing cane is transferred to inventory at fair value less costs to sell.

Inventories

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

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

Inventories recorded on the acquisition of a business are recognised at fair value. The book value of such inventories is charged to adjusted operating profit as they are sold or used. Any fair value uplift, if significant, is charged below operating profit as the inventories are sold or used.

Investment property

Investment properties are held at cost less provision for impairment. Impairment is determined by reference to the fair value of property estimated either by independent valuers or by the directors. Depreciation is provided where the directors consider that the residual value of major components of the property is less than current book value.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for accounting purposes.

Other financial assets

Other financial assets are classified, at initial recognition, as valued at amortised cost or fair value through profit and loss (FVPL). The classification of financial assets depends on the financial asset's cash flow characteristics and the business model for managing them. Financial assets at amortised costs are subject to impairments with gains and losses being recognised in the profit and loss when the assets are derecognised or impaired. Financial assets at fair value through profit and loss are typically held for trading and are carried in the statement of financial position at fair value with net changes in fair value recognised in profit and loss.

Notes (continued)

1 Accounting policies (continued)

Hyperinflation

The Argentinian economy was designated hyperinflationary from 1 July 2018. The group concluded this had an insignificant impact for the 2018 financial year but has applied IAS 29 Financial Reporting in Hyperinflationary Economies to its Argentinian operations from the beginning of the 2019 financial year. IAS 29 requires that hyperinflationary adjustments are reflected from the start of the reporting period in which it is applied. For the group's Argentinian operations this is 1 September 2018. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the comparative figures for 2018 have not been modified. The adjustments required by IAS 29 are set out below.

- Adjustment of historical cost nonmonetary assets and liabilities from their date of initial recognition to the balance sheet date to reflect the changes in purchasing power of the currency caused by inflation, according to the official indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency.
- The financial statements of the group's Argentinian operations have been translated into sterling at the closing exchange rate at 14 September 2019 (ARS69.99:£1).
- The cumulative impact corresponding to previous years has been reflected in other comprehensive income in the period.

The FACPCE index was 155.1034 at 31 August 2018 and 239.6077 at 31 August 2019. The inflation index for the year is therefore 1.5448. The Venezuelan economy has been designated hyperinflationary for a number of years, but the impact on the group's results remains immaterial.

New accounting policies

The following accounting standards and amendments were adopted during the year and had no significant impact on the group, except as further described below:

- IFRS 9 *Financial Instruments: Classification and Measurement*
- IFRS 15 *Revenue from Contracts with Customers*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- *Annual Improvements to IFRS Standards 2014 – 2016*

The two most significant new standards are IFRS 9 and IFRS 15, further details of which are set out below.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard introduces changes to three key areas:

- new requirements for the classification and measurement of financial instruments;
- a new impairment model based on expected credit losses for recognising provisions (compared to IAS 39, which used an incurred loss model); and
- simplified hedge accounting through closer alignment with an entity's risk management methodology.

Financial assets are classified using a principles-based approach in three measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. Classification is performed on initial recognition of the asset based on the characteristics of the asset and the local business model. The vast majority of the group's financial assets are currently recorded at amortised cost and this will continue to be the case.

For financial liabilities, there are no significant classification and measurement changes compared to IAS 39.

The new principles for hedge accounting provide a more flexible framework for hedge accounting which is better aligned with the economic decision-making of the group. This should result in the group being able to achieve hedge accounting on a wider range of transactions than under IAS 39. The IAS 39 effectiveness test has been replaced with the 'economic relationship' principle. Retrospective assessment of hedge effectiveness is no longer necessary. IFRS 9 also requires additional disclosures concerning risk management and the effects of hedge accounting.

The group has completed a groupwide impact assessment across these three key areas, supported by external resource, involving each of the group's businesses. As a result of this assessment, the group has concluded that the adoption of IFRS 9 will not have a significant impact on either the group's results or financial position.

Notes (continued)

1 Accounting policies (continued)

IFRS 9 applies retrospectively to all periods presented, but with substantial transition provisions to consider, including not being required to restate comparative information.

The group adopted IFRS 9 on 16 September 2018 and has applied it for the first time in the 2019 financial year, without restating comparative information. No cumulative adjustment to recognise the impact of applying IFRS 9 as at 16 September 2018 was required.

Further details on the implementation of IFRS 9 are given in note 26.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 and other related requirements.

IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

Step 1	Identify the contract(s) with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligations in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

The group has completed a groupwide impact assessment, utilising external resource to support local management where necessary. The assessment included areas that required additional specific consideration, including rights of return and principal vs agent considerations. The group's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale and little significant judgement required in determining the timing of transfer of control.

The impact assessment concluded that IFRS 15 would result in no change to the timing of revenue or the timing or amount of profit recognised. The only impact on the amount of revenue recognised was some £31m of operating expenses which under IFRS 15 will be deducted from revenue.

The group adopted IFRS 15 on 16 September 2018 and has applied it for the first time in the 2019 financial year. IFRS 15 was adopted retrospectively without the requirement to restate comparative information. IFRS 15 had no impact on the group's reported profits. No cumulative adjustment to recognise the impact of applying IFRS 15 as at 16 September 2018 was required.

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

- IFRS 16 *Leases* effective 2020 financial year
- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 2020 financial year
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 2020 financial year
- Amendments to IAS 1 *Presentation of Financial Statements* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* effective 2020 financial year
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 2020 financial year
- Amendments to *References to the Conceptual Framework in IFRS Standards* effective 2021 financial year (not yet endorsed by the EU)
- *Annual Improvements to IFRS Standards 2015 – 2017* effective 2020 financial year

The new standard with the most significant effect on the group's financial statements is IFRS 16, further details of which are set out below. The impact of the other standards effective in 2020 and beyond have not yet been fully assessed.

IFRS 16 Leases

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 *Leases* and other related requirements. The group will adopt IFRS 16 on 15 September 2019 and apply it for the first time in the 2020 financial year.

Notes (continued)

1 Accounting policies (continued)

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

The group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit committee. During the current period, the group largely completed its implementation project.

IFRS 16 permits a choice of transitional approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach where the cumulative effect of initial application is recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio means that it would either be impossible or extremely costly and difficult to collate sufficient information to apply the fully retrospective approach. The group has therefore determined to adopt the modified retrospective approach.

Impact on the group's results and financial position

The impact of IFRS 16 on the group's results and financial position is significant.

Lease liabilities are measured initially at the present value of lease payments yet to be paid, subsequently adjusted for interest and lease payments as well as a number of other changes to lease provisions. Lease liabilities will be included in net debt.

Right-of-use assets are measured initially at cost (including the value of the lease liability) and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets will be reported as non-current assets.

There is no change to overall cash flows. Operating lease payments were previously presented as operating cash flows and finance lease payments were allocated between payments of principal and interest within financing cash flows. Under IFRS 16, lease payments are split between payments of principal and interest, presented as financing cash flows.

Operating lease expenses previously charged to operating profit will be replaced by depreciation of right-of-use assets (within operating profit) and interest cost (within finance expense). Although the aggregate income statement impact of each lease over its life will not change, the generally straightline profile of operating lease expenses will be more front-loaded under IFRS 16 because of the interest on the lease liability.

The changes set out below to the group's assets and liabilities will be recorded from the transition date of 15 September 2019 in the 2020 financial year. The change will be charged against opening equity in the 2020 annual report.

	Transition adjustment £bn
Non-current assets (recognition of right-of-use assets, partially offset by reclassifications from property, plant and equipment)	3.1
Net current assets (primarily removal of lease incentives from accruals)	0.2
Net debt	(3.6)
Deferred tax	0.1
Impact on net asset	(0.2)

IFRS 16 will affect a number of financial statement captions and ratios, including the following:

Earnings	Based on our impact assessment, the group expects a marginal impact on earnings, it is not yet possible to predict reliably what this might be. There will be a consequent impact on dividend cover.
Operating profit/ operating margin	Operating profit and operating margin are expected to increase significantly as operating lease expenses are replaced by depreciation of right-of-use assets.
Finance expense	Finance expense is expected to increase significantly as a result of the interest cost on lease liabilities. Interest cover will therefore reduce.
Taxation	Taxation will change in line with the changes in profit before tax.
Net debt	Net debt will increase very significantly as lease liabilities are recorded within current and non-current liabilities. Gearing ratios will therefore increase. The reconciliation of net debt will include more non-cash items as new leases are entered into.

Notes (continued)

2 Accounting policies (continued)

Return on capital employed	The return on capital employed will reduce as a result of the changes to operating profit and non-current assets. It is not yet possible to predict reliably what this might be.
Cash flow statement	There is no overall impact on cash flow, but classifications of cash flows will change, as set out above.

The group will reassess its incentive arrangements to align targets with the new accounting requirements.

IFRS 16 is expected to have the most significant impact on the Retail segment given the number of significant store leases to which Primark is a party.

The group's current leasing disclosures are given in note 27 of this annual report.

2. Accounting estimates and judgements

In applying the accounting policies detailed on pages 17 to 26, management has made estimates in a number of areas and the actual outcome may differ from those calculated. Key sources of estimation uncertainty at the balance sheet date with the potential for material adjustment to the carrying value of assets and liabilities within the next financial year, are set out below.

Forecasts and discount rates

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

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

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The group recognises deferred tax assets to the extent that it is considered probable that sufficient taxable profits will be available in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Post-retirement benefits

The group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The accounting valuation, which has been assessed using assumptions determined with independent actuarial advice, resulted in a net asset of £33m being recognised as at 14 September 2018. The size of this net asset is sensitive to the market value of the assets held by the schemes, to the discount rate used in assessing liabilities, to the actuarial assumptions (which include price inflation, rates of pension and salary increases, mortality and other demographic assumptions) and to the level of contributions. Further details are included in note 14.

Adoption of IFRS 16 Leases

The group has a significant volume of high value leases, especially in the Retail segment. Adoption of IFRS 16 has required management to make a number of judgements and estimates. These include the identification of lease arrangements required to be capitalised, consistent and reasonable assessment of the accounting lease term, and the derivation of appropriate discount rates to apply to gross lease obligations.

Biological assets

In valuing growing cane, estimating sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. Estimating sucrose price requires management to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 11.

Taxation

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

Notes (continued)

3 Operating costs and gross profit

	Notes	2019 £m	2018 £m
Operating costs			
Costs of sales (including amortisation of intangibles)		12,270	12,156
Distribution costs		1,364	1,363
Administration expenses		1,092	1,028
Exceptional items		14	-
		14,740	14,547
Operating costs are stated after charging/(crediting):			
Employee benefits expense	4	2,806	2,712
Amortisation of non-operating intangibles	9	45	38
Amortisation of operating intangibles	9	24	29
Acquired inventory fair value adjustments		15	23
Profits less losses on disposal of non-current assets		(4)	(6)
Profits on disposal of investment property		-	(12)
Impairment of property, plant & equipment		-	65
Depreciation of owned property, plant & equipment	10	551	516
Impairment of investment property	12	11	10
Impairment of other financial assets		5	-
Transaction costs		2	2
Effect of hyperinflationary economies		6	-
Operating lease payments under property leases		312	299
Operating lease payments for hire of plant & equipment		23	15
Other operating income		(19)	(18)
Research and development expenditure		30	26
Fair value gains on financial assets and liabilities held for trading		(11)	(29)
Fair value losses on financial assets and liabilities held for trading		12	17
Foreign exchange gains on operating activities		(46)	(45)
Foreign exchange losses on operating activities		47	57

Transactional costs of £2m and amortisation of non-operating intangibles of £47m (2018: £2m and £41m) shown as adjusting items in the income statement, include £nil and £2m respectively (2018: £nil and £3m respectively) incurred by joint ventures, in addition to the amounts shown above.

2018 - Impairment of property, plant & equipment

In December 2018, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This is expected to result in a significant reduction in bread volumes from late in the 2019 calendar year, with limited opportunity to mitigate this volume loss in the short term. The ABF board had been concerned about the worsening trend in the performance of Allied Bakeries and the difficulty in recovering cost increases in a highly competitive market. In light of the termination of the private label contract mentioned above, management is considering courses of action to return the business to profitability. Of the methodologies available to calculate the impairment, the group has applied the "fair value less costs of disposal" approach to identify its best estimate of the impairment. The key assumptions used in this assessment are similar to those in previous year end impairment assessments – bread volumes, bread prices and long-term growth in the market, as well as logistical and other savings from restructuring. The discount rate used was 10.9%. This assessment resulted in a shortfall of £65m compared to the CGU carrying value of £243m. A charge for this was included in the income statement for the year ending 15 September 2018 and was allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

Exceptional items

2019 - Guaranteed Minimum Pensions

The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pensions Scheme between 6 April 1978 and 5 April 1997.

On 26 October 2018, the High Court of Justice of England and Wales ruled that GMPs must be equalised in respect of retirement ages for men and women for all pensionable service after 17 May 1990. This affects the group's UK defined benefit scheme and the ruling set out a number of methodologies that could be used to calculate the impact. The group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement with subsequent changes accounted for in other comprehensive income. The past service cost is treated as an exceptional item since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance.

The increase in liabilities is estimated at £14m, assessed using market conditions at the date of the ruling as required by IAS 19.

Notes (continued)

3 Operating costs and gross profit (continued)

	2019	2018
	£m	£m
<i>Auditor's remuneration</i>		
<i>Fees payable to the Company's auditor and its associates in respect of the audit</i>		
<i>Group audit of these financial statements</i>	-	-
<i>Audit of the Company's subsidiaries pursuant to legislation</i>	7.9	7.8
Total audit remuneration	7.9	7.8
<i>Fees payable to the Company's auditor and its associates in respect of non-audit related services</i>		
<i>Audit-related assurance services</i>	0.4	0.4
<i>All other services</i>	0.4	0.2
Total non-audit relate remuneration	0.8	0.6

4 Employees and Directors

	2019	2018
<i>Average number of employees</i>		
<i>United Kingdom</i>	49,484	50,085
<i>Europe & Africa</i>	71,922	70,074
<i>The Americas</i>	5,640	5,686
<i>Asia Pacific</i>	12,524	12,542
	139,570	138,387
	£m	£m
<i>Employee benefits expense</i>		
<i>Wages and salaries</i>	2,341	2,282
<i>Social security contributions</i>	308	290
<i>Contributions to defined contribution schemes</i>	14	78
<i>Charge for defined benefit schemes</i>	14	43
<i>Equity-settled share-based payment schemes</i>	22	19
	2,806	2,712
Directors' remuneration		
	2019	2018
	£000	£000
Aggregate directors' emoluments	5,160	4,732
Pension to former directors and widows of former directors	110	210
	5,270	4,942

The aggregate emoluments of the highest paid director were £4,146,000 (2018 - £3,826,000). He is a member of a group pension scheme and his annual accrued pension at the period end was £309,000 (2018 - £247,000).

4 Employees and Directors (continued)

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	4	4

Notes (continued)

5 Revenue and adjusted operating profit

	Revenue		Adjusted operating profit	
	2019	2018	2019	2018
	£m	£m	£m	£m
Grocery	3,521	3,420	380	335
Sugar	1,608	1,858	26	89
Agriculture	1,385	1,351	42	58
Ingredients	1,518	1,468	136	143
Retail	7,792	7,477	913	843
Central	-	-	(76)	(64)
Total ABF Group	15,824	15,574	1,421	1,404
Other retail	169	156	12	9
Other (including central)	32	41	(13)	(4)
	16,025	15,771	1,420	1,409

Geographical information

United Kingdom	6,166	6,121
Europe, Middle East & Africa	5,993	5,913
The Americas	1,613	1,535
Asia Pacific	2,253	2,202
	16,025	15,771

6 Interest and other financial income and expense

	2019	2018
	£m	£m
Finance income		
Cash and cash equivalents	22	19
Fair value gain on other financial assets	10	21
Dividends receivable	24	3
	56	43
Finance expense		
Bank loans and overdrafts	25	28
All other borrowings	16	21
Fair value loss on other financial assets	6	6
Finance leases	1	1
Other payables	1	1
	49	57
Other financial income/(expense)		
Interest income on employee benefit scheme assets	14	116
Interest charge on employee benefit scheme liabilities	14	(102)
Interest charge on irrecoverable surplus	14	(1)
Net financial income in respect of employee benefit schemes	13	3
Net foreign exchange losses on financing activities	(1)	1
Total other financial income	12	4

7 Income tax expense

	2019	2018
	£m	£m
Current tax expense		
UK – corporation tax at 19.00% (2018:19.00%)	91	91
Overseas - corporation tax	229	200
UK – (over)/under provided in prior periods	(4)	6
Overseas - over-provided in prior periods	(1)	(28)
Total current tax expense	315	269
Deferred tax expense		
UK deferred tax	2	(10)
Overseas deferred tax	(11)	(19)
UK – under/(over) provided in prior years	(4)	15
Overseas – (over) provided in prior years	(3)	(1)
Total income tax expense in income statement	(16)	(15)

Notes (continued)

7 Income tax expense (continued)

<i>Reconciliation of effective tax rate</i>		
<i>Profit before taxation</i>	1,271	1,252
<i>Less share of profit from joint ventures and associates</i>	(57)	(54)
<i>Profit before taxation excluding share of profit from joint ventures and associates</i>	1,214	1,198
<i>Nominal tax charge at UK corporation tax rate of 19.00% (2018:19.00%)</i>		
	231	228
<i>Effect of higher and lower tax rates on overseas earnings</i>	14	29
<i>Effect of changes in tax rates on income statement</i>	(1)	(16)
<i>Expenses not deductible for tax purposes</i>	39	84
<i>Disposal of assets covered by tax exemptions or unrecognised capital losses</i>	17	(15)
<i>Deferred tax not recognised</i>	12	(1)
<i>Adjustments in respect of prior periods</i>	(12)	(7)
<i>Other tax adjustments</i>	(1)	(46)
	299	254
	2019	2018
	£m	£m
<i>Income tax recognised directly in equity</i>		
<i>Deferred tax associated with defined benefit schemes</i>	(68)	53
<i>Current tax associated with defined benefit schemes</i>	(2)	-
<i>Deferred tax associated with share-based payments</i>	-	1
<i>Deferred tax associated with movements in cash flow hedging position</i>	(7)	12
<i>Deferred tax associated with movements in foreign exchange</i>	-	(1)
<i>Current tax associated with movements in foreign exchange</i>	2	-
	(75)	65

The UK corporation tax rate of 19% (2018 – 19%) will be reduced to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, UK deferred tax has been calculated using these rates as appropriate.

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 has lodged an appeal against this decision. We have calculated our maximum potential liability to be £26m however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

Deferred taxation balances are analysed in note 15.

8 Dividends

	2019	2018
	£	£
<i>Per share</i>		
<i>First interim</i>	68.50	62.00
<i>Second interim</i>	49.00	45.00
	117.50	107.00
	£m	£m
<i>Total</i>		
<i>First interim</i>	59	53
<i>Second interim</i>	42	39
	101	92

Notes (continued)

9 Intangible assets

	<i>Non-operating</i>					<i>Operating</i>		<i>Total £m</i>
	<i>Goodwill £m</i>	<i>Technology £m</i>	<i>Brands £m</i>	<i>Customer relationships £m</i>	<i>Grower Agreements £m</i>	<i>Other £m</i>	<i>Other £m</i>	
<i>Cost</i>								
<i>At 16 September 2017</i>	1,160	209	388	156	124	6	354	2,397
<i>Acquisitions – externally purchased</i>	-	-	-	-	-	-	101	101
<i>Acquired through business combinations</i>	100	-	5	100	-	-	-	205
<i>Disposal of businesses</i>	(2)	-	-	-	-	-	-	(2)
<i>Other disposals</i>	-	-	-	-	-	-	(9)	(9)
<i>Effect of movements in foreign exchange</i>	(19)	(5)	-	4	(10)	-	(4)	(34)
<i>At 15 September 2018</i>	1,239	204	393	260	114	6	442	2,658
<i>Acquisitions – externally purchased</i>	-	-	-	-	-	-	78	78
<i>Acquired through business combinations</i>	30	-	39	17	-	-	-	86
<i>Disposal of businesses</i>	(8)	-	-	-	-	-	-	(8)
<i>Other disposals</i>	-	-	-	-	-	-	(15)	(15)
<i>Transfer to assets classified as held for sale</i>	-	-	-	-	-	-	(2)	(2)
<i>Effect of hyperinflationary economies</i>	11	-	-	-	-	-	-	11
<i>Effect of movements in foreign exchange</i>	21	3	5	3	8	-	4	44
<i>At 14 September 2019</i>	1,293	207	437	280	122	6	507	2,852
<i>Amortisation</i>								
<i>At 16 September 2017</i>	29	209	297	110	124	6	202	977
<i>Amortisation for the year</i>	-	-	19	19	-	-	29	67
<i>Other disposals</i>	-	-	-	-	-	-	(4)	(4)
<i>Effect of movements in foreign exchange</i>	-	(5)	-	(3)	(10)	-	(4)	(22)
<i>At 15 September 2018</i>	29	204	316	126	114	6	223	1,018
<i>Amortisation for the year</i>	-	-	21	24	-	-	24	69
<i>Impairment on sale and closure of business</i>	59	-	-	-	-	-	-	59
<i>Other disposals</i>	-	-	-	-	-	-	(7)	(7)
<i>Effect of movements in foreign exchange</i>	2	3	4	3	8	-	2	22
<i>At 14 September 2019</i>	90	207	341	153	122	6	242	1,161
<i>Net book value</i>								
<i>At 16 September 2017</i>	1,131	-	91	46	-	-	152	1,420
<i>At 15 September 2018</i>	1,210	-	77	134	-	-	219	1,640
<i>At 14 September 2019</i>	1,203	-	96	127	-	-	265	1,691

Amortisation of non-operating intangibles of £47m (2018 - £41m) shown as an adjusting item in the income statement includes £2m (2018 - £3m) incurred by joint ventures in addition to the amounts shown below.

Notes (continued)

9 Intangible assets (continued)

Impairment

As at 14 September 2019, the consolidated balance sheet included goodwill of £1,203m (2018 - £1,210m). Goodwill is allocated to the group's cash-generating units (CGU's), or groups of CGU's that are expected to benefit from the synergies of the business combination that gave rise to the goodwill, as follows:

<i>CGU or group of CGUs</i>	<i>Primary reporting segments</i>	<i>Discount rate</i>	<i>2019</i>	<i>2018</i>
			<i>£m</i>	<i>£m</i>
<i>Acetum</i>	<i>Grocery</i>	<i>13.0%</i>	<i>94</i>	<i>94</i>
<i>ACH</i>	<i>Grocery</i>	<i>11.5%</i>	<i>186</i>	<i>177</i>
<i>AB Mauri</i>	<i>Ingredients</i>	<i>12.9%</i>	<i>281</i>	<i>320</i>
<i>Twinings Ovaltine</i>	<i>Grocery</i>	<i>10.9%</i>	<i>119</i>	<i>119</i>
<i>Azucarera</i>	<i>Grocery</i>	<i>11.7%</i>	<i>24</i>	<i>48</i>
<i>Illovo</i>	<i>Sugar</i>	<i>22.2%</i>	<i>117</i>	<i>110</i>
<i>AB World Foods</i>	<i>Grocery</i>	<i>11.1%</i>	<i>78</i>	<i>78</i>
<i>Other (not individually significant)</i>	<i>Various</i>	<i>Various</i>	<i>304</i>	<i>264</i>
			<i>1,203</i>	<i>1,210</i>

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

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

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

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

The cash flow projections have been discounted using the group's pre-tax weighted average cost of capital adjusted for country, industry and market risk. The rates used were between 9.2% and 22.2% (2018 - between 9.7% and 18.7%).

The growth rates to perpetuity beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill allocated to each of the CGU or groups of CGUs that are significant to the total carrying amount of goodwill, were in the range between 0% and 6%, consistent with the inflation factors included in the discount rates applied (2018 - between 0% and 4%).

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

Sensitivity to changes in key assumptions

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

Conditions were difficult for Azucarera during the year as the EU sugar market continued to adjust to the consequences of the end of the EU sugar regime in 2017, when sugar sales quotas were removed. World market sugar prices continued to be low. Reduced beet prices have been contracted with growers for the 2019/20 campaign, which led to a reduction in contracted beet crop area. Management has again undertaken an impairment review. Detailed forecasts for a period of five years were prepared, to reflect the time required for implementation of the business plan, and management concluded that the assets are not impaired. Headroom was €14m on a CGU carrying value of €307m (2018 - headroom of €68m on a CGU carrying value of €360m). Estimates of long-term growth rates beyond the forecast periods were 2% (2018 - 2%). The CGU carrying value is sensitive to assumptions around sugar prices, recovery of beet crop area and discount rate. Applying sensitivities to these assumptions, a sensitivity of plus or minus 1% applied to sugar prices impacts headroom by plus or minus €9m; a change of 5% on long-term beet crop area increases or decreases the headroom by €25m; and increasing the discount rate used of 11.7% (2018 - 12%) to 12.1% causes value in use to fall below the CGU carrying value.

AB Mauri continues to experience competitive pricing pressure in a number of markets around the world as well as challenging macroeconomic conditions in some markets, including high inflation rates and currency devaluations. Accordingly, management has again undertaken an impairment review. Detailed forecasts for a period of five years to reflect the time required for completion of the business plan were prepared and management concluded that the assets were not impaired. Key drivers of the forecast improvement in performance include achievement of price increases in high inflation environments, improved reach and competitiveness in the global dry yeast market, implementation of a number of margin improvement initiatives, particularly in cost reduction, and continuing growth in the global bakery ingredients business. Headroom was \$361m on a CGU carrying value of

Notes (continued)

9 Intangible assets (continued)

\$815m (2018 – headroom of \$400m on a CGU carrying value of \$946m). The geographic diversity and varying local economic environments of AB Mauri's operations mean that the critical assumptions underlying the detailed forecasts used in the impairment model are wide-ranging. It is therefore impractical to provide meaningful sensitivities to these assumptions other than the discount rate. The discount rate used was 12.9% (2018 – 13.2%) and would have to increase to more than 16.8% (2018 – 17%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2–3% (2018 – 2–3%) per annum dependent on location.

10 Property, plant & equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Sugar cane roots	Total
	£m	£m	£m	£m	£m	£m
<i>At 16 September 2017</i>	2,657	3,777	3,039	219	64	9,756
<i>Acquisitions- externally purchased</i>	112	49	416	235	12	824
<i>Acquired through business combinations</i>	24	13	-	6	-	43
<i>Other disposals</i>	(10)	(57)	(31)	-	(1)	(99)
<i>Transfers from assets under construction</i>	23	144	10	(177)	-	-
<i>Effect of movements in foreign exchange</i>	(24)	(70)	24	(7)	(2)	(79)
<i>At 15 September 2018</i>	2,782	3,856	3,458	276	73	10,445
<i>Acquisitions- externally purchased</i>	61	42	338	218	14	673
<i>Acquired through business combinations</i>	7	13	-	-	-	20
<i>Businesses disposed</i>	(2)	(20)	-	-	-	(22)
<i>Other disposals</i>	(10)	(66)	(8)	-	-	(84)
<i>Transfers from assets under construction</i>	52	148	28	(228)	-	-
<i>Transfer to assets classified as held for sale</i>	(17)	(37)	(1)	-	-	(55)
<i>Effect of hyperinflationary economies</i>	-	7	-	-	-	7
<i>Effect of movements in foreign exchange</i>	5	33	10	1	-	49
<i>At 14 September 2019</i>	2,878	3,976	3,825	267	87	11,033
<i>Depreciation and impairment</i>						
<i>At 16 September 2017</i>	618	2,263	1,254	-	25	4,160
<i>Depreciation for the period</i>	49	200	259	-	8	516
<i>Impairment on disposal of business</i>	-	14	-	-	-	14
<i>Other impairment</i>	-	33	32	-	-	65
<i>Other disposals</i>	(8)	(49)	(29)	-	(1)	(87)
<i>Effect of movements in foreign exchange</i>	(4)	(28)	2	-	-	(30)
<i>At 15 September 2018</i>	655	2,433	1,518	-	32	4,638
<i>Depreciation for the period</i>	49	194	300	-	8	551
<i>Impairment</i>	3	26	(29)	-	-	-
<i>Impairment on disposal and closure of business</i>	11	19	2	-	-	32
<i>Businesses disposed</i>	(1)	(17)	-	-	-	(18)
<i>Other disposals</i>	(8)	(60)	(8)	-	-	(76)
<i>Transfer to assets classified as held for resale</i>	(4)	(22)	-	-	-	(26)
<i>Effect of movements in foreign exchange</i>	5	17	7	-	-	29
<i>At 14 September 2019</i>	710	2,590	1,790	-	40	5,130
<i>Net book value at 16 September 2017</i>	2,039	1,514	1,785	219	39	5,596
<i>Net book value at 15 September 2018</i>	2,127	1,423	1,940	276	41	5,807
<i>Net book value at 14 September 2019</i>	2,168	1,386	2,035	267	47	5,903
					2019	2018
					£m	£m
<i>Net book value of finance lease assets</i>					12	12
<i>Land and buildings at net book value comprise:</i>						
- Freehold					1,673	1,693
- Long leasehold					111	359
- Short leasehold					285	75
					2,069	2,127
<i>Capital expenditure commitments – contracted but not provided for</i>					469	625

Land and buildings at net book value classified as held for sale comprise £13m of freehold.

The net book value of short and long leasehold land and buildings has been re-analysed in the current year. Prior year balances have been re-presented in line with this change.

Notes (continued)

10 Property, plant & equipment (continued)

Impairment

The methodology used to assess property, plant and equipment for impairment is the same as that described for impairment assessments for goodwill. See note 9 for further details.

In 2018 low bread prices and strong continuing competition in the UK bakery market led to an operating loss at Allied Bakeries and the consequent need for an assessment of impairment. In December 2018, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This is expected to result in a significant reduction in bread volumes from late in the 2019 calendar year, with limited opportunity to mitigate this volume loss in the short term. Accordingly, a detailed impairment assessment was performed in the first half of 2019.

Of the methodologies available to calculate the impairment, the group applied the "fair value less costs of disposal" approach to identify its best estimate of the impairment. This method uses inputs that are unobservable, using the best information available in the circumstances for valuing the CGU, and therefore falls into the level 3 category of fair value measurement. The key assumptions used in this assessment were bread volumes, bread prices and long-term growth in the market, discount rates, as well as logistical and other savings from restructuring. The discount rate used was 10.9%. This assessment resulted in a shortfall of £65m compared to the CGU carrying value. A charge for this was included in the 2018 income statement and was allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

At year end, management assessed whether the assumptions under the "fair value less costs of disposal" model were still appropriate and concluded that they were, as was the charge of £65m. Headroom was £9m on a CGU carrying value of £160m (2018 – headroom of £113m on a CGU carrying value of £243m). Estimates of long-term growth rate beyond the forecast periods were 0.4% per annum. A sensitivity of plus or minus 1% applied to bread prices impacts headroom by plus or minus £12m. A sensitivity of plus or minus 1% applied to bread volumes impacts headroom by plus or minus £8m.

A poor beet crop together with low domestic sugar prices led to a loss in AB Sugar China and resulted in the need for an assessment of impairment. There is no goodwill associated with AB Sugar China. Detailed forecasts for a period of five years were prepared, to reflect the time required for implementation of the business plan, and management concluded that the assets were not impaired. Headroom was £14m on a CGU carrying value of £81m. Estimates of long-term growth rates beyond the forecast periods were 2%. The discount rate used was 11.9% and would have to increase to 13.3% before the value in use fell below the carrying value. Key assumptions include the Chinese domestic sugar sales price, beet purchase price and beet volume, with a recovery in beet quality with grower payments being increasingly linked to the sugar content of beet. Applying sensitivities to these assumptions, a sensitivity of plus or minus 2% in the sugar sales price impacts headroom by plus or minus £14m; a sensitivity of plus or minus 5% on beet price would impact headroom by plus or minus £22m; and a change of 1% on long term beet crop area increases or decreases the headroom by £10m.

An impairment of A\$150m (£98m) was recorded in 2012 in the Australian meat business. Further progress was made in the current year with further reduction in manufacturing costs, efficiency improvement and general focus on cost reduction across the business. Following a detailed assessment, management has concluded that the carrying value of the assets in the meat business is not further impaired. Headroom was A\$120m on a CGU carrying value of A\$304m (2018 – headroom of A\$41m on a CGU carrying value of A\$248m). The discount rate used was 10.4% (2018 – 11.1%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2018 - 2.0%) per annum. A sensitivity of plus or minus 1% applied to discount rate impacts headroom by plus or minus A\$63m.

11 Biological assets

	<i>Growing cane</i>	<i>Current</i>	
	<i>£m</i>	<i>Other</i>	<i>Total</i>
		<i>£m</i>	<i>£m</i>
<i>At 16 September 2017</i>	77	13	90
<i>Transferred to inventory</i>	(75)	(18)	(93)
<i>Purchases</i>	-	1	1
<i>Changes in fair value</i>	76	12	88
<i>Effect of movements in foreign exchange</i>	(2)	-	(2)
<i>At 15 September 2018</i>	76	8	84
<i>Transferred to inventory</i>	(65)	(14)	(79)
<i>Purchases</i>	-	1	1
<i>Changes in fair value</i>	70	9	79
<i>Effect of movements in foreign exchange</i>	(1)	-	(1)
<i>At 14 September 2019</i>	80	4	84

Notes (continued)

11 Biological assets (continued)

Growing cane

The fair value of growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for using the growing cane, and therefore falls into the level 3 category of fair value measurement. The following assumptions have been used in the determination of the estimated sucrose tonnage at 14 September 2019:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	7,401	18,545	15,843	8,704	9,307	5,724
Estimated yield (tonnes cane/hectare)	67.8	105.0	121.9	101.6	74.9	83.0
Average maturity of cane	49.9%	67.4%	65.7%	67.0%	46.2%	71.6%

The following assumptions were used in the determination of the estimated sucrose tonnage at 15 September 2018:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	6,517	18,363	15,848	8,609	9,426	5,875
Estimated yield (tonnes cane/hectare)	69.0	97.7	119.0	102.1	74.8	82.1
Average maturity of cane	46.4%	68.2%	65.7%	67.7%	46.2%	71.6%

Sensitivities

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

	2019		2018	
	+1% £m	-1% £m	+1% £m	-1% £m
Estimated sucrose content	1.1	(1.1)	1.1	(1.1)
Estimated sucrose	1.4	(1.4)	1.4	(1.4)

12 Investment property

	£m
At 16 September 2017	209
Additions	9
Disposals	(26)
Impairment losses	(10)
At 15 September 2018	182
Additions	16
Disposals	-
Impairment losses	(11)
At 14 September 2019	187

Investment properties primarily comprise commercial property leased to third parties and have a fair value of £214m (2018 - £207m). Annual rental income amounts to £8m (2018 - £8m). No contingent rents are charged.

Impairment losses of £11m (2018 - £10m) have primarily been recognised against properties with tenants operating in the retail sector reflecting the poor economic outlook for that sector.

13 Investments in joint ventures and associates

	Joint Ventures	Associates
	£m	£m
At 16 September 2017	219	58
Profit for the period	45	9
Dividends received	(39)	(6)
At 15 September 2018	225	61
Profit for the period	49	8
Dividends received	(45)	(7)
Reclassification	-	(14)
Effect of movements in foreign exchange	2	2
At 14 September 2019	231	50

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

Notes (continued)

13 Investments in joint ventures and associates (continued)

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

	<i>Joint ventures</i>		<i>Associates</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Non-current assets</i>	<i>149</i>	<i>148</i>	<i>29</i>	<i>20</i>
<i>Current assets</i>	<i>389</i>	<i>411</i>	<i>188</i>	<i>237</i>
<i>Current liabilities</i>	<i>(259)</i>	<i>(280)</i>	<i>(157)</i>	<i>(193)</i>
<i>Non-current liabilities</i>	<i>(67)</i>	<i>(73)</i>	<i>(7)</i>	<i>(4)</i>
<i>Goodwill</i>	<i>19</i>	<i>19</i>	<i>1</i>	<i>1</i>
<i>Net assets</i>	<i>231</i>	<i>225</i>	<i>50</i>	<i>61</i>
<i>Revenue</i>	<i>1,507</i>	<i>1,443</i>	<i>589</i>	<i>689</i>
<i>Profit for the period</i>	<i>49</i>	<i>45</i>	<i>8</i>	<i>9</i>

14 Employee entitlements

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

UK defined benefit scheme

The group's principal UK defined benefit scheme is the Associated British Foods Pension Scheme (the 'Scheme'), which is a funded final salary scheme that is closed to new members. Defined contribution arrangements are in place for other employees. The UK defined benefit schemes represent 91% (2018 - 91%) of the group's defined benefit scheme assets and 87% (2018 - 89%) of the defined benefit scheme liabilities. The Scheme is governed by a trustee board which is independent of the group and which agrees a schedule of contributions with the Company each time a formal funding valuation is performed.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, using the current unit method, and revealed a surplus of £176m. The market value of the Scheme assets was £3,789m, representing 105% of members' accrued benefits after allowing for expected future salary increases.

The Scheme's assets are managed using a risk-controlled investment strategy, which includes a liability-driven investment policy that seeks to match, where appropriate, the profile of the liabilities. This includes the use of derivative instruments to hedge inflation, interest and foreign exchange risks. The Scheme utilises both market and solvency triggers to develop the level of hedges in place. To date, the Scheme is fully hedged for 71% of inflation sensitivity and 29% of interest rate risk. It is intended to hedge 80% of total exposure.

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

The Guaranteed Minimum Pension (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997.

On 26 October 2018, the High Court of Justice of England and Wales ruled that GMPs must be equalised in respect of retirement ages for men and women for all pensionable service after 17 May 1990. This affects the group's UK defined benefit scheme and the ruling set out a number of methodologies that could be used to calculate the impact. The group has adopted method C2 to identify its best estimate of the additional liabilities. These are charged as a past service cost in the income statement with subsequent changes accounted for in other comprehensive income. The past service cost is treated as an exceptional item since the liabilities relate to employee service between 1990 and 1997 and they have no link to current business performance.

The increase in liabilities is estimated at £14m, assessed using market conditions at the date of the ruling as required by IAS 19.

Overseas defined benefit schemes

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

Defined contribution schemes

The group operates a number of defined contribution schemes for which the charge was £39m in the UK and £4.1m overseas, totalling £80m (2018 - UK £37m, overseas £40m, total £77m)

Notes (continued)

14 Employee entitlements (continued)

Actuarial Assumptions

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

	2019	2019	2018	2018
	UK	Overseas	UK	Overseas
	%	%	%	%
Discount rate	2.0	0.1-13.7	2.9	1.0-11.3
Inflation	2.3-3.3	0-15.0	2.3-3.3	0-11.9
Rate of increase in salaries	3.3-4.3	1-20.0	3.3-4.3	1-13.0
Rate of increase for pensions in payment	2.1-3.1	0-28.0	2.1-3.1	0-5.6
Rate of increase for pensions in deferment (where provided)	2.3	0-2.0	2.3	0-2.0

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

The mortality assumptions used to value the UK defined benefit schemes are derived from the S2 mortality tables with improvements in line with the 2017 projection model (2018 – 2016 projection model) prepared by the Continuous Mortality Investigation of the UK actuarial profession, with a +0.5 year rating up for males and a +0.3 year rating down for females (2018 – +0.5 year rating up for males and a +0.3 year rating down for females), both with a long-term trend of 1.5% (2018 – 1.5%). These mortality assumptions take account of experience to date, and assumptions for further improvements in life expectancy of scheme members. Examples of the resulting life expectancies in the UK defined benefit schemes are as follows:

	2019		2018	
	Male	Female	Male	Female
Life expectancy from age 65 (in years)				
Member aged 65 in 2018 (2017)	21.8	24.5	21.9	24.5
Member aged 65 in 2038 (2037)	23.5	26.3	23.7	26.4

An allowance has been made for cash commutation in line with emerging scheme experience. Other demographic assumptions for the UK defined benefit schemes are set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of periodic funding valuation of the schemes.

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

A sensitivity analysis on the principal assumptions used to measure UK defined benefit scheme liabilities at 14 September 2019 is:

	Change in assumptions	Impact on scheme liabilities
Discount rate	decrease/increase by 0.5%	increase by 9.5%/decrease by 8.4%
Inflation	increase/decrease by 0.5%	increase by 7.0%/decrease by 6.4%
Rate of increase in salaries	increase/decrease by 0.5%	increase/decrease by 1.5%
Rate of mortality	reduce by one year	increase by 3.9%

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

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

Notes (continued)

14 Employee entitlements (continued)

Balance sheet

	2019			2018		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
<i>Equities</i>	1,346	180	1,526	1,355	180	1,535
<i>Government bonds</i>	693	51	744	530	47	577
<i>Corporate and other bonds</i>	433	67	500	393	58	451
<i>Property</i>	350	23	373	343	21	364
<i>Cash and other assets</i>	1,000	63	1,063	1,093	62	1,155
<i>Scheme assets</i>	3,822	384	4,206	3,714	368	4,082
<i>Scheme liabilities</i>	(3,640)	(524)	(4,164)	(3,184)	(446)	(3,630)
<i>Aggregate net surplus/(deficit)</i>	182	(140)	42	530	(78)	452
<i>Irrecoverable surplus (a)</i>	-	(9)	(9)	-	(17)	(17)
<i>Net pension asset/(liability)</i>	182	(149)	33	530	(95)	435
<i>Analysed as</i>						
<i>Scheme in surplus</i>	220	8	228	571	8	579
<i>Schemes in deficit</i>	(38)	(157)	(195)	(41)	(103)	(144)
	182	(149)	33	530	(95)	435
<i>Unfunded liability included in the present value of scheme liabilities above</i>	(38)	(67)	(105)	(41)	(56)	(97)

(a) The surpluses in the plans are only recoverable to the extent that the group can benefit from either refunds formally agreed or from future contribution reductions.

Corporate and other bonds relating to UK schemes of £433m (2018 - £393m) include £nil (2018 - £13m) of assets whose valuation is not derived from quoted market prices. The valuation for all other equity assets, government bonds, corporate and other bonds is derived from quoted market prices. The carrying value of UK property assets is based on 31 March market valuation, adjusted for purchases, disposals and price indexation between the valuation and the balance sheet dates. Cash and other assets contains £514m (2018: £401m) of assets whose valuation is not derived from quoted market prices.

For financial reporting in the group's accounts, liabilities are assessed by actuaries using the projected unit method. The accounting value is different from the result obtained using the funding basis, mainly due to different assumptions used to project scheme liabilities.

The defined benefit scheme liabilities comprise 30% (2018 - 27%) in respect of active participants, 21% (2018 - 20%) for deferred participants and 49% (2018 - 53%) for pensioners.

The weighted average duration of the defined benefit scheme liabilities at the end of the year is 18 years for both UK and overseas schemes (2018 - 18 years for both UK and overseas schemes)

Income statement

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

	2019 £m	2018 £m
<i>Charged to operating profit:</i>		
<i>Defined benefit plans</i>		
<i>Current service cost</i>	(41)	(44)
<i>Past service cost</i>	(13)	1
<i>Defined contribution schemes</i>	(80)	(78)
<i>Total operating cost</i>	(134)	(121)
<i>Reported in other finance income/(expense):</i>	14	4
<i>Net interest income/(expense) on net pension asset/(liability)</i>	(1)	(1)
<i>Net impact on profit before tax</i>	(121)	(118)

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £36m (2018 - £37m) and benefits paid in respect of unfunded plans of £14m (2018 - £2m). Contributions to funded defined benefit plans are subject to periodic review. Contributions to defined contribution schemes amounted to £80m (2018 - £77m).

Total contributions to funded plans and benefit payments by the group in respect of unfunded plans in 2019 are currently expected to be approximately £30m in the UK and £10m overseas, totalling £40m (2018 - UK £32m, overseas £9m, totalling £41m).

Notes (continued)

14 Employee entitlements (continued)

Other comprehensive income

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

	2019 £m	2018 £m
<i>Return on scheme assets excluding amounts included in net interest in the income statement</i>	119	113
<i>Actuarial (losses)/gains arising from changes in financial assumptions</i>	(585)	135
<i>Actuarial gains arising from changes in demographic assumptions</i>	28	49
<i>Experience gains on scheme liabilities</i>	20	21
<i>Change in unrecognised surplus</i>	11	(8)
<i>Remeasurements of the net pension asset/(liability)</i>	(407)	310

Reconciliation of change in assets and liabilities

	2019 Assets £m	2018 Assets £m	2019 Liabilities £m	2018 Liabilities £m	2019 Net £m	2018 Net £m
<i>At beginning of year</i>	4,082	4,046	(3,630)	(3,910)	452	136
<i>Current service cost</i>	-	-	(41)	(44)	(41)	(44)
<i>Employee contributions</i>	9	9	(9)	(9)	-	-
<i>Employer contributions</i>	50	37	-	-	50	37
<i>Benefit payments</i>	(179)	(230)	179	232	-	2
<i>Past service costs</i>	-	-	(13)	1	(13)	1
<i>Interest income/(expense)</i>	116	107	(102)	(103)	14	4
<i>Return on scheme assets less interest income</i>	119	113	-	-	119	113
<i>Actuarial (losses)/gains arising from changes in financial assumptions</i>	-	-	(585)	135	(585)	135
<i>Actuarial gains arising from changes in demographic assumptions</i>	-	-	28	49	28	49
<i>Experience gains on scheme liabilities</i>	-	-	20	21	20	21
<i>Businesses acquired</i>	-	-	(1)	-	(1)	-
<i>Effect of movements in foreign exchange</i>	9	-	(10)	(2)	(1)	(2)
<i>At end of year</i>	4,206	4,082	(4,164)	(3,630)	42	452

Reconciliation of change in irrecoverable surplus

	2019 £m	2018 £m
<i>At beginning of year</i>	(17)	(10)
<i>Change recognised in other comprehensive income</i>	11	(8)
<i>Interest charge on irrecoverable surplus</i>	(1)	(1)
<i>Effect of movements in foreign exchange</i>	(2)	2
<i>At end of year</i>	(9)	(17)

Notes (continued)

15 Deferred tax assets and liabilities

	Property, plant and equipment £m	Intangible assets £m	Employee benefits £m	Financial assets and liabilities £m	Other temporary differences £m	Tax value of carry-forward losses £m	Total £m
At 16 September 2017	136	86	16	(1)	(102)	(40)	95
Amount charged/ (credited) to the income statement	17	(3)	-	-	(17)	4	1
Amount charged/(credited) to equity	-	-	54	12	(1)	-	65
Acquired through business combinations	1	23	-	-	16	-	40
Effect of changes in tax rate on income statement.	(9)	(18)	-	-	11	-	(16)
Effect of movements in foreign exchange	(1)	1	-	-	1	2	3
At 15 September 2018	144	89	70	11	(92)	(34)	188
Amount charged/ (credited) to the income statement	(6)	(3)	(1)	-	(4)	(2)	(16)
Amount charged/(credited) to equity	-	-	(68)	(7)	-	-	(75)
Acquired through business combinations	-	7	-	-	-	-	7
Effect of changes in tax rate on income statement.	1	-	-	-	(2)	-	(1)
Effect of hyperinflationary economies taken to operating profit	1	-	-	-	-	-	1
Effect of hyperinflationary economies taken to other comprehensive income	2	-	-	-	-	-	2
Effect of movements in foreign exchange	3	2	(1)	-	(2)	-	2
At 14 September 2019	145	95	-	4	(100)	(36)	108

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

	2019 £m	2018 £m
- Deferred tax assets	(161)	(133)
- Deferred tax liabilities	269	321
	108	188

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. Other deferred tax assets totalling £95m (2018 - £101m) have not been recognised on the basis that their future economic benefit is not probable.

In addition, there are temporary differences of £3,136m (2018 - £3,327m) relating to investments in subsidiaries. No deferred tax has been provided in respect of these differences, since the timing of the reversals can be controlled and it is probable that the temporary differences will not reverse in the future.

16 Trade and other receivables

	2019 £m	2018 £m
Non-current - other receivables		
Loans and receivables	55	56
Other non-current investments	7	4
	62	60
Current - trade and other receivables		
Trade receivables	1,088	1,080
Other receivables	160	158
Accrued income	14	20
	1,262	1,258
Prepayments and other non-financial receivables	196	199
	1,458	1,457

Notes (continued)

16 Trade and other receivables (continued)

In addition to the amounts disclosed above, there are £6m of trade and other receivables classified as assets held for sale

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

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

Trade and other receivables include £44m (2018 - £47m) in respect of finance lease receivables, with £39m in non-current loans and receivables and £5m in current other receivables (2018 - £42m in non-current loans and receivables and £5m in current other receivables). Minimum lease payments receivable are £5m within one year, £18m between one and five years and £21m in more than five years (2018 - £5m within one year, £20m between one and five years and £25m in more than five years).

The finance lease receivable relates to property, plant & equipment leased to a joint venture of the group (see note 27).

17 Assets and liabilities held for resale

In the summer ABF signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, the businesses have been classified as a disposal group at year end. It does not qualify as a discontinued operation.

	<i>2019</i>
	<i>£m</i>
<i>Assets classified as held for sale</i>	
<i>Intangible assets</i>	2
<i>Property, plant and equipment</i>	29
<i>Inventories</i>	6
<i>Trade and other receivables</i>	6
	43
<i>Liabilities classified as held for sale</i>	
<i>Trade and other payables</i>	6
	6

18 Inventories

	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>
<i>Raw materials and consumables</i>	387	361
<i>Work in progress</i>	69	87
<i>Finished goods and goods held for resale</i>	1,944	1,752
	2,400	2,200
<i>Write down of inventories</i>	(115)	(106)

In addition to the amounts disclosed above, there are £6m of inventories classified as assets held for sale (see note 17).

19 Cash and cash equivalents

	<i>2019</i>	<i>2018</i>
	<i>£m</i>	<i>£m</i>
<i>Cash at bank and in hand</i>	1,099	1,108
<i>Cash equivalents</i>	852	704
	1,951	1,812
<i>Reconciliation to the cash flow statement</i>		
<i>Bank overdrafts</i>	(137)	(91)
	1,814	1,721

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

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

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

Notes (continued)

20 Loans and overdrafts

	<i>Notes</i>	<i>2019</i> <i>£m</i>	<i>2018</i> <i>£m</i>
Current loans and overdrafts			
Secured loans		10	12
Unsecured loans and overdrafts		217	408
Finance leases		1	1
		228	421
Non-current loans			
Secured loans		48	52
Unsecured loans		347	336
Finance leases	27	13	13
		408	401
	26	636	822
		2019	2018
		£m	£m
Secured loans			
- GBP floating rate		48	44
- Other floating rate		10	20
Unsecured bank loans and overdrafts			
- Bank overdrafts		137	91
- GBP fixed rate		104	147
- USD floating rate		29	30
- USD fixed rate		241	428
- EUR floating rate		29	23
- EUR fixed rate		-	3
- Other floating rate		23	21
- Other fixed rate		1	1
Finance lease liabilities (fixed rate)		14	14
		636	822

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

21 Trade and other payables

	<i>2019</i> <i>£m</i>	<i>2018</i> <i>£m</i>
Current – trade and other payables		
Trade payables	1,162	1,171
Accruals	1,049	1,041
	2,211	2,212
Deferred income and other non-financial payables	396	361
	2,607	2,573
Non-current – other payables		
Accruals	271	269

In addition to the amounts disclosed above, there are £6m of trade and other payables classified as liabilities held for sale (see note 17).

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

Notes (continued)

22 Provisions

	<i>Restructuring</i>	<i>Deferred consideration</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>At 15 September 2018</i>	<i>91</i>	<i>9</i>	<i>40</i>	<i>140</i>
<i>Created</i>	<i>28</i>	<i>11</i>	<i>6</i>	<i>45</i>
<i>Utilised</i>	<i>(44)</i>	<i>(1)</i>	<i>(5)</i>	<i>(50)</i>
<i>Released</i>	<i>(1)</i>	<i>(1)</i>	<i>(16)</i>	<i>(18)</i>
<i>Effect of movements in foreign exchange</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>1</i>
<i>At 14 September 2019</i>	<i>74</i>	<i>18</i>	<i>26</i>	<i>118</i>
<i>Current</i>	<i>45</i>	<i>1</i>	<i>18</i>	<i>64</i>
<i>Non-current</i>	<i>29</i>	<i>17</i>	<i>8</i>	<i>54</i>
	<i>74</i>	<i>18</i>	<i>26</i>	<i>118</i>

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

Restructuring

Restructuring provisions relate to the cash costs, including redundancy, associated with the group's announced reorganisation plans.

Deferred consideration

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

Other

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

23 Acquisitions and disposals

Acquisitions

2019

On 17 September 2018 the group's Grocery business completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia, and on 6 September 2019 the Grocery business completed the acquisition of Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients. These acquisitions will continue to develop our presence in the faster growing segments of the grocery market. The group also acquired a small manufacturer of piglet starter feed in Poland as part of the Agriculture business and as part of the Ingredients business, acquired Italmill an Italian bakery ingredients producer.

The acquisitions had the following effect on the group's assets and liabilities:

	<i>Pre-acquisition carrying values</i>	<i>Recognised values on acquisition</i>
	<i>£m</i>	<i>£m</i>
<i>Net assets</i>		
<i>Intangible assets</i>	<i>-</i>	<i>56</i>
<i>Property, plant and equipment</i>	<i>20</i>	<i>20</i>
<i>Other receivables (non-current)</i>	<i>2</i>	<i>2</i>
<i>Inventories</i>	<i>7</i>	<i>7</i>
<i>Trade and other receivables</i>	<i>14</i>	<i>14</i>
<i>Cash and cash equivalents</i>	<i>2</i>	<i>2</i>
<i>Trade and other payables</i>	<i>(11)</i>	<i>(11)</i>
<i>Loans</i>	<i>(15)</i>	<i>(15)</i>
<i>Taxation</i>	<i>(1)</i>	<i>(8)</i>
<i>Employee benefit liabilities</i>	<i>(1)</i>	<i>(1)</i>
<i>Net identifiable assets and liabilities</i>	<i>17</i>	<i>66</i>
<i>Goodwill</i>		<i>30</i>
<i>Total consideration</i>		<i>96</i>

Notes (continued)

23 Acquisitions and disposals (continued)

	<i>Recognised values on acquisition</i> £m
<i>Satisfied by</i>	
Cash consideration	85
Deferred consideration	11
	96
 <i>Net cash</i>	
Cash consideration	85
Cash and cash equivalents acquired	(2)
Deferred consideration paid	1
	84

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £56m of non-operating intangible assets in respect of brands and customer relationships, which were recognised together with related deferred tax of £7m. The cash outflow of £84m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £85m for these acquisitions less cash acquired with the businesses of £2m and £1m payment of deferred consideration in respect of previous acquisitions.

The acquisitions have contributed aggregate revenues of £42m and operating profit of £4m to the group's result for the period from the date of acquisition to 14 September 2019.

2018

On 12 October 2017, the group's Grocery business completed the acquisition of 100% of Acetum S.p.A, the leading Italian producer of Balsamic Vinegar of Modena for a net consideration of £284m including debt assumed of £89m and deferred consideration of £2m. The group also acquired a small aerial survey and informatics company as part of the UK Agriculture business, and as part of the UK Ingredients business, acquired Holgran, a supplier of malted grains, and Fleming Howden, an Edinburgh-based blender and distributor of bakery ingredients. These acquisitions have contributed revenue of £83m and operating profit of £11m to the group's results for the period from date of acquisition to 15 September 2018.

The acquisitions had the following effect on the group's assets and liabilities:

	<i>Pre-acquisition carrying values</i> £m	<i>Recognised values on acquisition</i>		<i>Total</i> £m
		<i>Acetum</i> £m	<i>Other</i> £m	
<i>Net assets</i>				
Intangible assets	-	95	10	105
Property, plant and equipment	41	42	1	43
Inventories	28	95	2	97
Trade and other receivables	28	23	5	28
Cash and cash equivalents	11	11	-	11
Trade and other payables	(31)	(26)	(5)	(31)
Loans	(89)	(89)	-	(89)
Taxation	6	(40)	(2)	(42)
<i>Net identifiable assets and liabilities</i>	(6)	111	11	122
Goodwill		95	5	100
<i>Total consideration</i>		206	16	222

	<i>Recognised values on acquisition</i> £m
<i>Satisfied by</i>	
Cash consideration	218
Deferred consideration	4
	222
 <i>Net cash</i>	
Cash consideration	218
Cash and cash equivalents acquired	(11)
Deferred consideration paid	1
	208

Notes (continued)

23 Acquisitions and disposals (continued)

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £105m of non-operating intangible assets in respect of brand and customer relationships, a £69m upward fair value adjustment on inventories and a £2m upward revaluation of land and buildings, which were recognised together with related deferred tax of £48m. The cash outflow of £208m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £218m for these acquisitions less cash acquired with the businesses of £11m and £1m payment of deferred consideration in respect of prior year acquisitions.

Disposals

2019

In the current year the group disposed of its torula facility and associated torula whole cell business in Hutchinson, Minnesota, reported within the US and Ingredients segments. Cash proceeds amounted to £5m, net assets disposed were £5m and the associated goodwill was £8m. Provisions for transaction and associated restructuring costs were £2m, with a gain of £3m on recycling foreign exchange differences. The pre-tax loss on disposal was £7m.

In August we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, a non-cash impairment charge of £88m has been included in the loss on closure of businesses, comprising £56m of goodwill and £32m of property, plant and equipment.

£4m of warranty and restructuring provisions relating to disposals made in previous years are no longer required and were released to sale and closure of businesses during the year in Grocery (The Americas). In the Agriculture segment, goodwill with a carrying value of £3m was written off on sale and closure of a small business in the UK.

2018

In October 2018 the group shut down operations at Vivergo, AB Sugar's bioethanol plant in Hull. A charge of £51m has been included for this in the loss on closure of businesses line in the income statement. During the year the group also completed the buy-out of the remaining 5.5% minority interest in Vivergo. This resulted in the recognition of a gain of £23m (in the Sugar and UK segments) arising from the extinguishment of the associated shareholder loan and interest, which has been recognised in sale and closure of businesses in line with the original transaction in 2015.

£18m of warranty and restructuring provisions relating to disposals made in previous years are no longer required and were released to sale and closure of business during the year. These comprised £17m in Sugar (Asia Pacific) and £1m in Ingredients (Europe & Africa).

The group also charged a £24m onerous lease provision to sale and closure of business (in the Central and UK segments) against rental guarantees given on property leases assigned to third parties that the group expects to be required to honour.

24 Share-based payments

The group had the following equity-settled share-based payment plans in operation during the period:

Associated British Foods Long Term Incentive Plan ('the LTIP')

The LTIP was approved and adopted by the Company at the annual general meeting held on 6 December 2013. It takes the form of conditional allocations of shares which will be released if, and to the extent that, performance targets are satisfied, typically over a three-year performance period.

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

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

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

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

Further information regarding the operation of the above plans can be found in the Remuneration report in the annual report and accounts of Associated British Foods plc on pages 83 to 106.

Notes (continued)

24 Share-based payments (continued)

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

	<i>Balance outstanding at the beginning of the period £m</i>	<i>Granted/ awarded £m</i>	<i>Vested £m</i>	<i>Expired/ lapsed £m</i>	<i>Balance outstanding at the end of the period £m</i>
2019	3,675,370	1,922,795	(475,947)	(461,551)	4,660,667
2018	3,094,724	1,630,180	(506,293)	(543,241)	3,675,370

Employee Share Ownership Plan Trust

Shares subject to allocation under the ABF's equity-settled share-based payment plans are held in a separate Employee Share Ownership Plan Trust funded by ABF. Voting rights attached to shares held by the Trust are exercisable by the trustee, who is entitled to consider any recommendation made by a committee of the Company. At 14 September 2019 the Trust held 2,781,914 (2018 – 2,225,705) ordinary shares of ABF. The market value of these shares at the year-end was £65m (2018 – £50m). The Trust has waived its right to dividends. Movements in the year were releases of 475,947 shares and purchases of 1,032,156 shares (2018 – releases of 506,293 shares and purchases of 1,200,000 shares).

Fair values

The weighted average fair value of conditional grants made was determined by taking the market value of the shares at the time of the grant and discounting for the fact that dividends are not paid during the vesting period. The weighted average fair value of the conditional shares allocated during the year was 2,335 pence (2018 – 2,800 pence) and the weighted average share price was 2,511 pence (2018 – 3,010 pence). The dividend yield used was 2.5% (2018 – 2.5%).

25 Analysis of net cash

	<i>At 15 September 2018 £m</i>	<i>Cash flow £m</i>	<i>Acquisitions £m</i>	<i>Non-cash items £m</i>	<i>Exchange adjustments £m</i>	<i>At 14 September 2019 £m</i>
Cash at bank and in hand, cash equivalents and overdrafts	1,721	93	-	-	-	1,814
Short-term loans	(330)	264	(15)	(10)	-	(91)
Long-term loans	(401)	(7)	-	10	(10)	(408)
	990	350	(15)	-	(10)	1,315

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand of £137m form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Notes *(continued)*

26 Financial Instruments

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

	2019	2018
	£m	£m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	19	1,951
Other financial assets	55	46
Trade and other receivables	16	1,267
Other non-current receivables	16	55
At fair value through other comprehensive income		
Investments	7	4
At fair value through profit and loss		
Other financial assets	892	786
Derivative assets not designated in a cash flow hedging relationship:		
- currency derivatives	12	20
- commodity derivatives	-	3
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
- currency derivatives	17	13
- cross-currency swaps	64	60
- commodity derivatives	6	36
Total financial assets	4,326	4,094
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	21	(2,487)
Secured loans	20	(58)
Unsecured loans and overdrafts (fair value 2019 - £599m; 2018 - £782m)	20	(564)
Finance leases (fair value 2019 - £20m; 2018 - £19m)	20	(14)
Deferred consideration	22	(18)
At fair value through profit and loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
- currency derivatives	(2)	(3)
- commodity derivatives	(1)	(3)
Designated net investment hedging relationships		
Derivative liabilities designated as net investment hedging instruments:		
- currency derivatives	(23)	(30)
- commodity derivatives		
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
- currency derivatives	(18)	(10)
- commodity derivatives	(8)	(6)
Total financial liabilities	(3,193)	(3,364)
Net financial liabilities	1,133	730

Except where stated, carrying amount is equal to fair value. 2018 balances have been re-presented on a consistent basis with the 2019 classification.

Valuation of financial instruments carried at fair value

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

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

Notes (continued)

26 Financial Instruments (continued)

The tables below analyses the level in the fair value hierarchy into which their fair value measurement method is categorised for other financial assets.

	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	£m	£m	£m	£m	£m	£m
Other financial assets	468	424	892	462	324	786

The value of Level 2 investments is provided by the investment company using techniques based on observable inputs (i.e. market process and rates) or indirectly (i.e. derived from market process and rates).

b) Derivatives

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

	2019				2018			
	Contractual / notional amounts	Level 1	Level 2	Total	Contractual / notional amounts	Level 1	Level 2	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Financial Assets								
Currency derivatives (excluding cross-currency swaps)	1,268	-	29	29	1,011	-	33	33
Cross-currency swaps	271	-	64	64	345	-	60	60
Commodity derivatives	149	1	5	6	190	-	39	39
	1,688	1	98	99	1,546	-	132	132
Financial Liabilities								
Currency derivatives (excluding cross-currency swaps)	905	-	(20)	(20)	980	-	(13)	(13)
Cross-currency swaps	214	-	(23)	(23)	287	-	(30)	(30)
Commodity derivatives	103	-	(9)	(9)	106	-	(9)	(9)
	1,222	-	(52)	(52)	1,373	-	(52)	(52)

Notes (continued)

26 Financial Instruments (continued)
c) Cash flow hedging reserve movements

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

	2019				2018			
	Currency derivatives	Cross-currency swaps	Commodity derivatives	Total	Currency derivatives	Cross-currency swaps	Commodity derivatives	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance	(3)	9	(20)	(14)	27	5	(2)	30
Losses/(gains) recognised in the hedging reserve	(54)	(22)	33	(43)	(83)	(6)	(32)	(121)
Amount removed from the hedging reserve and included in the income statement:								
- revenue	(1)	-	-	(1)	6	-	-	6
- cost of sales	-	-	(3)	(3)	-	-	12	12
- other financial income	-	12	-	12	-	11	1	12
Amount removed from the hedging reserve and included in non-financial asset:								
- inventory	60	-	4	64	40	-	(5)	35
Deferred tax	(1)	2	(8)	(7)	7	(1)	6	12
Closing balance	1	1	6	8	(3)	9	(20)	(14)
Cash flows are expected to occur:								
- within six months	(1)	-	5	4	(3)	-	(15)	(18)
- between six months and one year	2	-	1	3	1	1	(2)	-
- between one and two years	-	1	-	1	(1)	2	(1)	-
- between two and five years	-	-	-	-	-	5	(2)	3
- after five years	-	-	-	-	-	1	-	1
	1	1	6	8	(3)	9	(20)	(14)

Of the closing balance of £8m, £9m is attributable to equity shareholders and £(1)m to non-controlling interests (2018 - £(14)m is attributable to equity shareholders and £(1)m to non-controlling interests). Of the net movement in the year of £22m, £22m is attributable to equity shareholders and £nil to non-controlling interests (2018 - £(44)m attributable to equity shareholders and £nil to non-controlling interests).

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

d) Financial risk identification and management

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

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

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

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

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

Notes (continued)

26 Financial Instruments (continued)

e) Foreign currency translation

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

Where appropriate, the group finances its operations by borrowing locally in the functional currency of its operations. This reduces net asset values reported in functional currencies other than sterling, thereby reducing the economic exposure to fluctuations in foreign currency exchange rates on translation.

The group also finances its operations by obtaining funding at group level through external borrowings and, where they are not in sterling, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations. At year end, the group had \$nil of borrowings (2018 – \$160m) that were designated as hedges of its net investment in foreign operations in US dollars.

The group also holds cross-currency interest rate swaps to hedge its fixed rate non-sterling debt. These are reported as cash flow hedges and net investment hedges. The change in fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging. The value of the currency basis is not material. Effectiveness is measured using the hypothetical derivative approach. The hypothetical derivative is based on the critical terms of the debt and therefore the only ineffectiveness that may arise is in relation to credit risk. Credit risk is monitored regularly and is not a significant factor in the hedge relationship.

The group does not actively hedge the translation impact of foreign exchange rate movements on the income statement (other than via the partial economic hedge arising from the servicing costs on non-sterling borrowings).

The group designates certain of its intercompany loan arrangements as quasi-equity for the purposes of IAS 21. The effect of the designation is that any foreign exchange volatility arising within the borrowing entity and/or the lending entity is accounted for directly within other comprehensive income.

A net foreign exchange loss of £1m (2018 – loss of £6m) on retranslation of these loans has been taken to the translation reserve on consolidation, all of which are attributable to equity shareholders. The group also held currency forwards and cross currency swaps that have been designated as hedges of its net investments in Australian dollars and euros, whose change in fair value of £2m has been debited to the translation reserve, all of which is attributable to equity shareholders (2018 - £4m debited to the translation reserve).

f) Market risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The group is exposed to changes in the market price of commodities, interest rates and foreign exchange rates. These risks are known as "transaction" (or recognised) exposures and "economic" (or forecast) exposures.

(i) Commodity price risk

Commodity price risk arises from the procurement of raw materials and the consequent exposure to changes in market prices.

The group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities, including wheat, edible oils, soya beans, meat, sugar raws, cocoa, rice, tea and energy is managed through the use of forward physical contracts and hedging instruments, including futures and options contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the group's risk management policies and is continually monitored by group Treasury. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the group's overall pricing strategy.

Some of the group's commodity forward contracts are treated as 'own use' contracts, since they are both entered into, and continue to be held, for the purposes of the group's ordinary operations, and the group takes physical delivery of the commodity concerned. 'Own use' contracts do not require accounting entries until the commodity purchase actually crystallises. Where possible commodity derivatives are accounted for as cash flow hedges (with a one to one hedge ratio), but there are some commodity derivatives for which the strict requirements of hedge accounting cannot be satisfied. This occurs typically where the group does not take physical delivery of the commodity concerned. Such commodity derivatives are used only where the business believes they provide an economic hedge of an underlying exposure. These instruments are classified as held for trading and are marked to market through the income statement.

The majority of the group's forward physical contracts and commodity derivatives have original maturities of less than one year.

The group's sensitivities in respect of the accounting commodity derivatives for a +/- 20% movement in underlying commodity prices is £28m and (£23m) respectively.

Notes (continued)

26 Financial Instruments (continued)

(ii) Interest rate risk

Interest rate risk comprises two primary elements:

- interest price risk results from financial instruments bearing fixed interest rates. Changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments; and
- interest cash flow risk results from financial instruments bearing floating rates. Changes in floating interest rates affect cash flows on interest receivable or payable.

The group's policy is to maintain floating rate debt for a significant proportion of its bank finance, although it periodically assesses its position with respect to interest price and cash flow.

At 14 September 2019, £360m (61%) (2018 - £593m and 76%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £345m (2018 - £573m).

Floating rate debt comprises bank borrowings bearing interest rates fixed in advance, for various time periods up to 12 months, by reference to official market rates (e.g. LIBOR).

The group does not have significant sensitivities to the impact of interest rates on derivative valuations, nor to the impact of interest rates on floating rate borrowings.

(iii) Foreign currency risk

The group conducts business worldwide and consequently in many foreign currencies. As a result, it is exposed to movements in foreign currency exchange rates which affect the group's transaction costs. The group also publishes its finance statements in sterling and is therefore exposed to movements in foreign exchange rates on the translation of the results and underlying net assets of its foreign operations into sterling.

Translation risk is discussed in section e) above.

Transaction risk

Currency transaction exposure occurs where a business makes sales and purchases in a currency other than its functional currency. It also arises where monetary assets and liabilities of a business are not denominated in its functional currency, and where dividends or surplus funds are remitted from overseas. The group's policy is to match transaction exposures wherever possible, and to hedge actual exposures and firm commitments as soon as they occur by using forward foreign currency contracts. All foreign currency instruments contracted with non-group entities to manage transaction exposures are undertaken by group Treasury or, where foreign currency controls restrict group Treasury acting on behalf of subsidiaries, under its guidance. Identification of transaction exposures is the responsibility of each business.

The group uses derivatives (principally forward foreign currency contracts and time options) to hedge its exposure to movements in exchange rates on its foreign currency trade receivables and payables. The group does not seek formal fair value hedge accounting for such transaction hedges. Instead, such derivatives are classified as held for trading and marked to market through the income statement. This offsets the income statement impact of the retranslation of the foreign currency trade receivables and payables.

Economic (forecast) risks

The group principally uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases on a rolling 12-month basis. The group does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the group's risk management policies and prevailing market conditions. The group designates currency derivatives used to hedge its highly probable forecast transactions as cash flow hedges. Under IFRS 9, the spot component is designated in the hedging relationship and forward points and currency basis are excluded and recognized in other comprehensive income – cost of hedging. The cost of hedging value during the period and at the balance sheet date was not material. The economic relationship is based on critical terms and a one-to-one hedge ratio. To the extent that cash flow hedges are effective, gains and losses are deferred in equity until the forecast transaction occurs, at which point the gains and losses are recycled either to the income statement or to the non-financial asset acquired.

The majority of the group's currency derivatives have original maturities of less than one year.

The group's most significant currency transaction exposures are:

- sugar prices in British Sugar to movements in the sterling/euro exchange rate
- meat purchases in George Weston Foods, predominantly Australian dollar/US dollar exchange rate; and
- sourcing for Primark – costs are denominated in a number of currencies, predominantly sterling, euros and US dollars.

Elsewhere, a number of businesses make sales and purchase a variety of raw materials in foreign currencies (primarily US dollars and euros), giving rise to transaction exposures. In all other material respects, businesses tend to operate in their functional currencies.

Notes (continued)

26 Financial Instruments (continued)

The below table illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement by disclosing separately by risk category, and each type of hedge, the details of the associated hedging instrument and hedged item.

	Contract Notional	Carrying Amount assets/(liabilities)	Farthest maturity Date	Hedge Ratio	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Change in fair value of hedge item used to determine hedge effectiveness
	£m	£m	£m	£m	£m	£m
Current						
Designated cash flow hedging relationships						
- currency derivatives (excluding cross-currency swaps)	1,482	(1)	Sep 20	100%	(3)	3
- commodity derivatives	209	(4)	Aug 20	100%	(8)	8
Non-current						
Designated cash flow hedging relationships						
- currency derivatives (excluding cross-currency swaps)	79	-	Aug 21	100%	-	-
- cross-currency swaps	271	64	Mar 24	100%	20	(20)
- commodity derivatives	16	-	Sep 21	100%	(3)	3
Designated net investments hedging relationships						
- currency derivatives (cross-currency swaps)	214	(23)	Mar 24	100%	-	-

Hedging relationships are typically based on a one-to-one hedge ratio. The economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Sources of possible ineffectiveness include changes in forecast transactions as a result of timing or value or, in certain cases, different indices linked to the hedged item and the hedging instrument. As at 14 September 2019, FX forwards designated as cash flow hedges equal to £1,561m were outstanding. These are largely in relation to purchases of USD (£896m) and sales of EUR (£248m) with varying maturities up to August 2021. Weighted average hedge rates for these contracts are GBPUSD: 1.239, EURUSD: 1.122 and GBPEUR: 1.113. Weighted average hedge rates for the cross-currency swaps are GBPUSD: 1.699 and GBPEUR: 1.262. Commodity derivatives designated as cash flow hedges related to a range of underlying hedged items, with varying maturities out to September 2021.

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

	2019				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	1	117	29	42	189
Trade and other receivables	-	43	63	16	122
	1	160	92	58	311
Financial liabilities					
Trade and other payables	(17)	(525)	(40)	(12)	(594)
Unsecured loans and overdrafts	-	(241)	-	-	(241)
	(17)	(766)	(40)	(12)	(835)
Currency derivatives					
Gross amounts receivable	74	1,578	129	154	1,935
Gross amounts payable	(4)	(119)	(537)	(63)	(723)
	70	1,459	(408)	91	1,212
Total	54	853	(356)	137	688

Notes (continued)

26 Financial Instruments (continued)

	2018				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	2	267	26	36	331
Trade and other receivables	-	45	72	14	131
	2	312	98	50	462
Financial liabilities					
Trade and other payables	(15)	(368)	(45)	(9)	(437)
Deferred consideration	-	(428)	(1)	-	(429)
	(15)	(796)	(46)	(9)	(866)
Currency derivatives					
Gross amounts receivable	69	1,642	130	166	2,007
Gross amounts payable	(3)	(94)	(474)	(54)	(625)
	66	1,548	(344)	112	1,382
Total	53	1,064	(292)	153	978

The following major exchange rates applied during the period:

	Average rate		Closing rate	
	2019	2018	2019	2018
US dollar	1.28	1.35	1.25	1.31
Euro	1.13	1.13	1.12	1.12
Rand	18.32	17.52	18.08	19.46
Renminbi	8.78	8.79	8.82	8.97
Australian dollar	1.81	1.76	1.81	1.82

The following sensitivity analysis illustrates the impact that a 10% strengthening of the group's operating currencies against local functional currencies would have had on profit and equity. The analysis covers currency translation exposures at year end on businesses' financial assets and liabilities that are not denominated in the functional currencies of those businesses. A similar but opposite impact would be felt on both profit and equity if the group's main operating currencies weakened against local functional currencies by a similar amount.

The exposure to foreign exchange gains and losses on translating the financial statements of subsidiaries into sterling is not included in this sensitivity analysis, as there is no impact on the income statement, and the gains and losses are recorded directly in the translation reserve in equity (see below for a separate sensitivity). This sensitivity is presented before taxation and non-controlling interests.

	Impact on profit for the period 2019	Impact on total equity 2019	Impact on profit for the period 2018	Impact on total equity 2018
	+/- £m	+/- £m	+/- £m	+/- £m
10% strengthening against other currencies of				
Sterling	-	6	1	7
US dollar	23	96	11	110
Euro	7	(35)	5	(29)
Other	3	18	8	17

A second sensitivity analysis calculates the impact on the group's profit before tax if the average rates used to translate the results of the group's foreign operations into sterling were adjusted to show a 10% strengthening of sterling. A similar but opposite impact would be felt on profit before tax if sterling weakened against the other currencies by a similar amount.

	Impact on profit for the period 2019	Impact on profit for the period 2018
	+/- £m	+/- £m
10% strengthening of sterling against		
US dollar	(17)	(14)
Euro	(37)	(31)
Rand	-	(1)
Renminbi	10	(2)
Australian dollar	(4)	(3)

Notes (continued)

26 Financial Instruments (continued)

g) Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The group's businesses are exposed to counterparty credit risk when dealing with customers, and from certain financing activities.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 14 September 2019. The group considers its maximum exposure to credit risk to be:

	2019	2018
	£m	£m
Cash and cash equivalents	1,951	1,812
Other financial assets	947	832
Trade and other receivables	1,267	1,268
Other non-current receivables	44	46
Investments	7	4
Derivative assets at fair value through profit and loss	12	23
Derivative assets in designated cash flow hedging relationships	64	109
	4,292	4,094

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

The group uses market knowledge, changes in credit ratings and other techniques to identify significant changes to the financial profile of its counterparties.

Trade and other receivables

Significant concentrations of credit risk are very limited as a result of the group's large and diverse customer base. The group has an established credit policy applied by each business under which the credit status of each new customer is reviewed before credit is advanced. This includes external credit evaluations where possible and in some cases bank references. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of management. Outstanding debts are continually monitored by each business. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the group's benchmark creditworthiness may only transact with the group on a prepayment basis. Aggregate exposures are monitored at group level.

Many of the group's customers have been transacting with the group for many years and the incidence of bad debts has been low. Where appropriate, goods are sold subject to retention of title so that, in the event of non-payment, the group may have a secured claim. The group does not typically require collateral in respect of trade and other receivables.

The group provides for impairment of financial assets including trade and other receivables based on known events, and makes a collective provision for losses yet to be identified, based on historical data. The majority of the provision comprises specific amounts.

To measure expected credit losses, gross trade receivables are assessed regularly by each business locally with reference to considerations such as the current status of the relationship with the customer, the geographical location of each customer, and days past due (where applicable). Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. These historical loss expectations are adjusted for current and forward-looking information where it is identified to be significant. The group considers factors such as national economic outlooks and bankruptcy rates of the countries in which its goods are sold to be the most relevant factors. Where the impact of these is assessed as significant, the historical loss expectations are amended accordingly.

The group considers credit risk to have significantly increased for debts aged 180 days or over and expects these debts to be provided for in full. Where the group holds insurance or has a legal right of offset with debtors who are also creditors, the loss expectation is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

	2019	2018
	£m	£m
UK	443	483
Europe & Africa	340	302
The Americas	175	168
Asia Pacific	309	305
	16	1,258
	1,267	1,258

Notes (continued)

26 Financial Instruments (continued)

Trade receivables can be analysed as follows:

	2019	2018
	£m	£m
Not overdue	972	956
Up to 1 month past due	83	90
Between 1 and 2 months past due	16	18
Between 2 and 3 months past due	8	9
More than 3 months past due	37	30
Provision for doubtful debts	(24)	(23)
	1,092	1,080

Trade and other receivables are stated net of the following provision for irrecoverable amounts.

	2019	2018
	£m	£m
Opening balance	23	25
Amounts provided for during the period	7	6
Amounts released during the year	(3)	(4)
Amounts utilised during the year	(3)	(4)
Amounts acquired through business combinations	-	1
Effect of movements in foreign exchange	-	(1)
Closing balance	24	23

No trade receivables were written-off directly to the income statement in either year.

The geographical and business line complexity of the group, combined with the fact that expected loss assessments are all performed locally, means that it is not practicable to present further analysis of expected losses.

In relation to other receivables not forming part of trade receivables, a similar approach has been taken to assess expected losses. No significant expected loss has been identified.

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

In the prior year, the impairment of trade and other receivables was assessed on an incurred loss model basis. Individual receivables that were considered to be uncollectable were written off by reducing the carrying value directly. Individual receivables were assessed to determine if there was evidence of impairment, and losses were recognised in a separate provision for impairment. The group considered the following to be indicators of evidence of impairment:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy; and
- default of late payments, the extent to which they were overdue being determined on a case-by-case basis with reference to the knowledge and communication with the debtor and their relationship with the business.

The group has a long history of a low level of bad debts. This, coupled with the geographical spread of the group's operations and its large and diverse customer base, means that IFRS 9 was not expected to result in a significant change to the group's trade and other receivables.

Cash and cash equivalents

Banking relationships are generally limited to those banks that are members of the core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. In locations where the core relationship banking group cannot be used, operating procedures, including choice of bank, opening of bank accounts and repatriation of funds, must be agreed with group Treasury. The group has not recorded impairments against cash, cash equivalents, nor have any recoverability issues been identified with such balances. Such items are typically recoverable on demand or in line with normal banking arrangements.

h) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. Group Treasury is responsible for monitoring and managing liquidity and ensures that the group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The group also has access to uncommitted facilities to assist with short-term funding requirements.

Available headroom is monitored via the use of detailed cash flow forecasts prepared by each business, which are reviewed at least quarterly, or more often, as required. Actual results are compared to budget and forecast each period, and variances investigated and explained. Particular focus is given to management of working capital.

Notes (continued)

26 Financial Instruments (continued)

Details of the group's borrowing facilities are given in section i).

The following table analyses the contractual undiscounted cash flows relating to financial liabilities at the balance sheet date and compares them to carrying amounts:

Note	2019						Contracted amount	Carrying amount
	Due within 6 months	Due between 6 months and 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years			
	£m	£m	£m	£m	£m	£m		
Non-derivative financial liabilities								
Trade and other payables	21	(2,109)	(100)	(27)	(80)	(171)	(2,487)	(2,487)
Secured loans	20	(5)	(5)	(2)	(46)	-	(58)	(58)
Unsecured loans and overdrafts	20	(187)	(43)	(38)	(328)	-	(596)	(564)
Finance leases	27	(1)	(1)	(1)	(2)	(35)	(40)	(14)
Deferred consideration	22	-	(1)	-	(15)	(2)	(18)	(18)
Derivative financial liabilities								
- Currency derivatives (excluding cross-currency swaps) (net payments)		(10)	(4)	(1)	-	-	(15)	(20)
Commodity derivatives (net payments)		(8)	(1)	-	-	-	(9)	(9)
		(2,320)	(155)	(69)	(471)	(208)	(3,223)	(3,170)

Note	2018						Contracted amount	Carrying amount
	Due within 6 months	Due between 6 months and 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years			
	£m	£m	£m	£m	£m	£m		
Non-derivative financial liabilities								
Trade and other payables	21	(2,185)	(28)	(21)	(65)	(182)	(2,481)	(2,481)
Secured loans	20	(6)	(6)	(11)	(41)	-	(64)	(64)
Unsecured loans and overdrafts	20	(195)	(202)	(15)	(285)	(80)	(777)	(744)
Finance leases	25	(1)	(1)	(1)	(3)	(35)	(41)	(14)
Deferred consideration	22	-	(1)	(2)	(4)	(2)	(9)	(9)
Derivative financial liabilities								
- Currency derivatives (excluding cross-currency swaps) (net payments)		(4)	(2)	-	-	-	(6)	(43)
- Commodity derivatives (net payments)		(8)	-	(1)	-	-	(9)	(9)
Total financial liabilities		(2,399)	(240)	(51)	(398)	(299)	(3,387)	(3,364)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 14 September 2019.

The principal reasons for differences between carrying values and contractual undiscounted cash flows are coupon payments on the fixed rate debt to which the group is already committed, future interest payments on the group's finance leases, and cash flows on derivative financial instruments which are not aligned with their fair value.

Notes (continued)

26 Financial Instruments (continued)

i) Borrowing facilities

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 14 September 2019, in respect of which all conditions precedent have been met amounted to £1,235m (2018 - £1,249m):

	2019			2018		
	Facility £m	Drawn £m	Undrawn £m	Facility £m	Drawn £m	Undrawn £m
£1.2bn syndicated facility	1,200	-	1,200	1,200	-	1,200
US private placing	345	345	-	573	573	-
Illovo	98	65	33	113	66	47
Other	4	2	2	46	44	2
	1,647	412	1,235	1,932	683	1,249

Uncommitted facilities available at 14 September 2019 were:

	2019			2018		
	Facility £m	Drawn £m	Undrawn £m	Facility £m	Drawn £m	Undrawn £m
Money market lines	100	-	100	100	-	100
Illovo	206	90	116	179	62	117
Azucarera	66	29	37	80	22	58
China banking	40	-	40	6	-	6
Other	153	43	110	159	41	118
	565	162	403	524	125	399

In addition to the above facilities, there are also £75m (2018: £73m) of undrawn and available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

The group also has £14m (2018: £14m) of finance lease liabilities which are not included in the tables above, but which are included in the group's loans and overdrafts in note 20.

The group has £1.2bn syndicated facility which matures in July 2021. In addition to the bank debt, ABF has £345m of private placement notes in issue to institutional investors in the US and Europe. At 14 September 2019, these had an average remaining duration of 2.7 years and an average fixed coupon of 4.4%. The other significant core committed debt facilities comprise local committed facilities in Illovo.

Uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time.

Refer to note 10 for details for the group's capital commitments and to note 28 for a summary of the group's guarantees.

j) Capital management

The capital structure of the group is presented in the balance sheet. The statement of changes in equity provides details on equity and note 20 provide details on loans and overdrafts. Short and medium-term funding requirements are provided by a variety of loan and overdraft facilities, both committed and uncommitted, with a range of counterparties and maturities. Longer term funding is sourced from a combination of these facilities, the private placement notes and committed syndicated loan facilities.

The ABF board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to enable successful future development of the business. The board monitors return on capital by division and determines the overall level of dividends payable to shareholders.

From time to time the trustee of the Employee Share Ownership Plan Trust purchases ABF's shares in the market to satisfy awards under the group's long-term incentive plan. Once purchased, shares are not sold back into the market. The group does not have a defined share buy-back plan.

There were no changes to the group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally-imposed capital requirements.

k) Implementation of IFRS 9 Financial Instruments

IFRS 9 was adopted using the modified transition approach without restating comparative information. No reclassifications or adjustments were required in the opening balance sheet on 16 September 2018. The adoption of IFRS 9 resulted in changes to the group's accounting policies in the three key areas of classification and measurement, impairment and hedge accounting.

Notes (continued)

26 Financial Instruments (continued)

Classification and measurement

As of 16 September 2018, the group assessed which business models apply to each category of its financial assets and classified them into the three categories defined by IFRS 9: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). All assets previously classified as amortised cost retained this classification. All assets previously classified as available for sale were irrevocably designated as FVOCI, whereby any gains or losses on eventual disposal are included directly in retained earnings and are not recycled to the income statement. All assets previously classified as loans and receivables were classified as amortised cost. All assets previously classified as FVPL retained this classification.

There were no changes in classification of financial liabilities.

This can be summarised as follows:

	Original classification under IAS 39	New classification under IFRS 9
Non-current financial assets		
Investments (recorded within other noncurrent receivables)	Available for sale	FVOCI
Other non-current receivables	Amortised cost	Amortised cost
Current financial assets		
Cash and cash equivalents	Amortised cost	Amortised cost
Other financial assets	Amortised cost/FVPL	Amortised cost/FVPL
Trade and other receivables	Amortised cost	Amortised cost
Derivatives not designated in a hedging relationship	FVPL	FVPL
Derivatives designated in a hedging relationship	FVPL but with gains and losses recorded in the hedging reserve when effective	FVPL but with gains and losses recorded in the hedging reserve when effective
Current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Loans and other financial liabilities	Amortised cost	Amortised cost
Derivatives not designated in a hedging relationship	FVPL	FVPL
Derivatives designated in a hedging relationship	FVPL but with gains and losses recorded in the hedging reserve when effective	FVPL but with gains and losses recorded in the hedging reserve when effective
Non-current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Loans and other financial liabilities	Amortised cost	Amortised cost

Impairment

The group holds the following types of financial assets subject to IFRS 9's new expected credit loss model:

- Other non-current receivables
- Trade receivables
- Other receivables

The group revised its impairment methodology under IFRS 9 for each of these classes of assets. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. There were no adjustments required in the opening balance sheet as at 16 September 2018. Further information is given earlier in this note.

Hedge accounting

The new principles for hedge accounting provide a more flexible framework which is better aligned with the economic decision making of the group. All hedge relationships were regarded as continuing hedge relationships, as all which were designated hedges under IAS 39 as at 15 September 2018 met the criteria for hedge accounting under IFRS 9 as the group's risk management strategies and hedge documentation were aligned to the new standard.

Under IAS 39, the group included the currency basis within the hedge relationship. On transition, IFRS 9 allows the choice to separate aspects of the costs of hedging from the designation within a hedge relationship as part of the hedging instrument. Similarly under IFRS 9 in relation to cross-currency swaps, the currency basis is excluded from the hedge designation and recognised in the cost of hedging reserve. The balance in the cost of hedging reserve was not significant as at 16 September 2018 or at 14 September 2019.

Notes (continued)

27 Lease commitments

Operating leases

The group acts as a lessee, lessor and sub-lessor both for land & buildings and plant & machinery under operating leases.

Rental receipts of £16m (2018 - £15m) were recognised in the income statement in the period relating to operating leases. The total of future minimum rental receipts expected to be received is £124m (2018 - £113m).

Under the terms of the lease agreements, no contingent rents are payable.

The future minimum lease payments under the operating leases are as follows:

	2019	2019	2019	2018	2018	2018
	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>
	£m	£m	£m	£m	£m	£m
<i>Within one year</i>	348	19	367	321	12	333
<i>Between one and five years</i>	1,443	27	1,470	1,296	18	1,314
<i>After five years</i>	3,413	1	3,414	2,999	-	2,999
	<u>5,204</u>	<u>47</u>	<u>5,251</u>	<u>4,616</u>	<u>30</u>	<u>4,646</u>

Finance leases

Finance lease liabilities are payable as follows:

	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Principal</i>	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Principal</i>
	2019	2019	2019	2018	2018	2018
	£m	£m	£m	£m	£m	£m
<i>Within one year</i>	2	1	1	2	1	1
<i>Between one and five years</i>	4	3	1	4	3	1
<i>After five years</i>	34	22	12	35	23	12
	<u>40</u>	<u>26</u>	<u>14</u>	<u>41</u>	<u>27</u>	<u>14</u>

28 Contingencies

Litigation and other proceedings against companies in the group are not considered material in the context of these financial statements.

Where group companies enter into financial guarantee contracts to guarantee the indebtedness of other group companies, the group considers these to be insurance arrangements and has elected to account for them as such in accordance with IFRS 4. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the relevant group company issuing the guarantee will be required to make a payment under the guarantee.

As at 14 September 2019, group companies have provided guarantees in the ordinary course of business amounting to £1,904m (2018 - £1,661m).

Notes *(continued)*

29 Related party transactions

The Wittington Investments Limited group's related parties, as defined by IAS 24, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	2019 £'000	2018 £'000
Dividends paid by Wittington Investments Limited and Associated British Foods plc ("ABF") and received in a beneficial capacity by:			
(i) Trustees of The Garfield Weston Foundation	1	23,666	22,233
(ii) Directors of Wittington Investments Limited who are not Trustees of The Foundation	2	6,432	4,154
<hr style="border-top: 1px solid black;"/>			
Sales to and commissions paid to companies with common key management personnel	3	17,117	17,258
Amounts due from companies with common key management personnel	3	1,880	1,887
Sales to joint ventures and associates on normal trading terms	4	43,918	54,008
Purchases from joint ventures and associates on normal trading terms	4	395,915	409,856
Amounts due from joint ventures and associates	4	59,666	52,546
Amounts due to associates and joint ventures	4	29,244	41,572
<hr style="border-top: 1px solid black;"/>			

1. The Garfield Weston Foundation ("The Foundation") is an English charitable trust, established in 1958 by the late W Garfield Weston. As at 14 September 2019, the Foundation holds 683,073 shares (2018 - 683,073) in Wittington Investments Limited representing 79.2% of the Company's issued share capital and is, therefore, the Company's ultimate controlling party. At 1 September 2018, Trustees of the Foundation comprised four grandchildren of the late W. Garfield Weston and five of the late Garry H Weston's children.
2. Details of the directors of Wittington Investments Limited are given on page 5: Directors' remuneration is disclosed in note 4.
3. The companies with common key management personnel are the George Weston Limited group in Canada, and Selfridges & Co. Limited.
4. Details of the group's subsidiary undertakings and joint ventures are set out in note 30.

Notes (continued)

30 Group entities

Subsidiary undertakings

A list of the group's subsidiaries as at 14 September 2019 is given below. The entire share capital of subsidiaries is held within the group except where the group's ownership percentages are shown. These percentages give the group's ultimate interest and therefore allow for the situation where subsidiaries are owned by partly owned intermediate subsidiaries. Where subsidiaries have different classes of shares, this is largely for historical reasons and the effective percentage holdings given represent both the group's voting rights and equity holding. All subsidiaries are consolidated in the group's financial statements.

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
United Kingdom		Atrium 100 Stores Holdings Limited	
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY</i>		Atrium 100 Stores Limited	
Associated British Foods plc		B.E. International Foods Limited	
A.B. Exploration Limited		Banbury Agriculture Limited	
A.B.F. Holdings Limited		British Sugar (Overseas) Limited	
A.B.F. Nominees Limited		British Sugar plc	
A.B.F. Properties Limited		BSO (China) Limited	
AB Agri Limited		Cereal Industries Limited	
AB Foods Australia Limited		Cereform Limited	
AB Ingredients Limited		Davjon Food Limited	
AB Mauri (UK) Limited		Dorset Cereals Limited	
AB Mauri (China) Limited		Eastbow Securities Limited	
AB Mauri Europe Limited		Elsenham Quality Foods Limited	
AB Sugar China Holdings Limited		Fishers Feeds Limited	
AB Sugar China Limited		Fishers Seeds & Grain Limited	
AB Sugar China North Limited		Food Investments Limited	
AB Sugar Limited		G. Costa (Holdings) Limited	
AB Technology Limited		G. Costa and Company Limited	
AB World Foods (Holdings) Limited		Germain's (U.K.) Limited	
AB World Foods Limited		H 5 Limited	
ABF (No. 1) Limited		Illovo Sugar Africa Holdings Limited	
ABF (No. 2) Limited		John K. King & Sons Limited	
ABF (No. 3) Limited		Kingsgate Food Ingredients Limited	
ABF BRL Finance Ltd		LeafTC Limited	
ABF Europe Finance Limited		Mauri Products Limited	
ABF European Holdings Limited		Mitra Sugar Limited	
ABF Finance Limited		Mountsfield Park Finance Limited	
ABF Food Tech Investments Limited		Nere Properties Limited	
ABF Funding		Nutrition Trading (International) Limited	
ABF Grain Products Limited		Nutrition Trading Limited	
ABF Green Park Limited		Patak (Spices) Limited	
ABF Grocery Limited		Patak Food Limited	
ABF HK Finance Limited		Patak's Breads Limited	
ABF Ingredients Limited		Patak's Foods 2008 Limited	
ABF Investments plc		Premier Nutrition Products Limited	
ABF Japan Limited		Pride Oils Public Limited Company	
ABF MXN Finance Limited		Primark (U.K.) Limited	
ABF Overseas Limited		Primark Austria Limited	
ABF PM Limited		Primark Mode Limited	
ABF UK Finance Limited		Primark Pension Administration Services Limited	
ABF US Holdings Limited		Primark Stores Limited	
ABN (Overseas) Limited		Primary Diets Limited	
ABNA Feed Company Limited		Primary Nutrition Limited	
ABNA Limited		Pro-active Nutrition Limited	
AgriLines Limited		R. Twining and Company Limited	
Allied Bakeries Limited		Reflex Nutrition Limited	
Allied Grain (Scotland) Limited		Roses Nutrition Ltd	
Allied Grain (South) Limited		Seedcote Systems Limited	
Allied Grain (Southern) Limited		Serpentine Securities Limited	
Allied Grain Limited		Sizzlers Limited	
Allied Mills Limited		Sizzles Limited	
Allied Technical Centre Limited		Spectrum Aviation Limited	
Allinson Limited		Speedibake Limited	
Associated British Foods Pension Trustees Limited		Sunblest Bakeries Limited	
Atrium 100 Properties Limited		The Bakery School Limited	
		The Billington Food Group Limited	

Notes (continued)

30 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
The Home Grown Sugar Company Limited		Wittington Investments Finance Limited	
The Jordans & Ryvita Company Limited		196 Tottenham Court Road, London, W1T 7LQ	
The Natural Sweetness Company Limited		Heal's Holdings Limited	
The Roadmap Company Limited		Heal & Son Limited	
The Silver Spoon Company Limited		Heal's plc	
The Weston Biscuit Company Limited		Ambrose Retail Limited	
Tip Top Bakeries Limited		Heal's Pension Fund Trustees Limited	
Trident Feeds Limited		Heal's Finance Limited	
Twining Crosfield & Co. Limited		Heals (1810) Limited	
Vivergo Fuels Limited		181 Piccadilly, London, W1A 1ER	
W. Jordan & Son (Silo) Limited		Fortnum & Mason Plc	
W. Jordan (Cereals) Limited		Fortnum & Mason USA Inc	
Wereham Gravel Company Limited (The)		Fortnum & Mason Limited	
Westmill Foods Limited		F. & M. Limited	
Weston Biscuit Company Limited		Fortnum & Mason (Export) Limited	
Weston Foods Limited		Fortnum & Mason Hospitality Limited	
Weston Research Laboratories Limited		Fortnum & Mason (London) Limited	
Worldwing Investments Limited		Fortnums Limited	
Avery Row Management Limited		1 College Place North, Belfast, BT1 6BG	
Brighton Grand Hotel Operations Limited		James Neill Limited	
George Weston Limited		Unit 4, 211 Castle Road, Randalstown, Co. Antrim, BT41 2EB	
Howard Investments Limited		Jordan Bros. (N.I.) Limited	
Listergate Student Holdings Limited		Nutrition Services (International) Limited	
Richmond Hill Hotel (Operations) Limited		Vistavel Limited	
WILH (Investments) Limited		180 Glentanar Road, Glasgow, G22 7UP	
WINDL Offices Limited		ABN (Scotland) Limited	
Wittington Investments (17) Limited		Miller Samuel LLP, RWF House, 5 Renfield Street, Glasgow, G2 5EZ	
Wittington Investments (Apollo) Limited		Korway Foods Limited	
Wittington Investments (Bestport) Limited		Korway Holdings Limited	
Wittington Investments (BPA II) Limited		Patak's Chilled Foods Limited	
Wittington Investments (Brighton Grand) Limited		Patak's Frozen Foods Limited	
Wittington Investments (BSP) Limited		Argentina	
Wittington Investments (BSPF) Limited		Mariscal Antonio José de Sucre 632 – 2nd Floor, Buenos Aires 1428	
Wittington Investments (BV II) Limited		AB Mauri Hispanoamerica S.A.	
Wittington Investments (BV III) Limited		Surgas S.A. (in liquidation)	
Wittington Investments (Careplaces) Limited		Av. Raul Alfonsín, Monte Chingolo, Buenos Aires 3145	
Wittington Investments (CIP) Limited		Compañía Argentina De Levaduras S.A.I.C.	
Wittington Investments (Developments) Limited		Australia	
Wittington Investments (Dunedin) Limited		Building A, Level 2, 11 Talavera Road, North Ryde, NSW 2113	
Wittington Investments (Dunedin III) Limited		AB Mauri Overseas Holdings Limited	
Wittington Investments (FAP I) Limited		AB Mauri Pakistan Pty Limited	
Wittington Investments (FAP I) Limited		AB Mauri ROW Holdings Pty Limited	
Wittington Investments (FIPL) Limited		AB Mauri South America Pty Limited	
Wittington Investments (Graphite) Limited		AB Mauri South West Asia Pty Limited	
Wittington Investments (Harbourvest) Limited		AB Mauri Technology & Development Pty Limited	
Wittington Investments (Next Wave) Limited		AB Mauri Technology Pty Limited	
Wittington Investments (OCP) Limited		AB World Foods Pty Ltd	
Wittington Investments (PPE IV) Limited		Anzchem Pty Limited	
Wittington Investments (PPE) Limited		Dagan Trading Pty Ltd	
Wittington Investments (Private Equity) Limited		Food Investments Pty. Limited	
Wittington Investments (Properties) Limited		George Weston Foods (Victoria) Pty Ltd	
Wittington Investments (Reof) Limited		George Weston Foods Limited	
Wittington Investments (Richmond Hill Hotel) Limited		Indonesian Yeast Company Pty Limited	
Wittington Investments (Sandairc) Limited		Mauri Fermentation Brazil Pty Limited	
Wittington Investments (VOI) Limited		Mauri Fermentation Chile Pty Limited	
Wittington Investments (WHEB) Limited		Mauri Fermentation China Pty Limited	
Wittington Investments (WPX) Limited		Mauri Fermentation India Pty Limited	

Notes (continued)

30 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
Australia (continued)			
Mauri Fermentation Indonesia Pty Limited		AB Enzymes Trading (Shanghai) Co., Ltd	
Mauri Fermentation Malaysia Pty Limited		ABNA Management (Shanghai) Co., Ltd.	
Mauri Fermentation Philippines Pty Limited		ABNA Trading (Shanghai) Co., Ltd	
Mauri Fermentation Vietnam Pty Limited		Room 2906 29/F Changning Raffles Tower 2, No. 1189 Changning Road, Changning District, Shanghai, 200051	
Mauri Yeast Australia Pty Limited		Associated British Foods Holdings (China) Co., Ltd	
N&C Enterprises Pty Ltd		Suite 702, Fosun International Center, No. 237 Chaoyangbei Road, Beijing, Chaoyang District	
NB Love Industries Pty Ltd		AB Mauri (Beijing) Food Sales and Marketing Company Limited	
Serrol Ingredients Pty Limited		Xinsha Industrial Zone, Machong Town, Dongguan, Guangdong Province	
The Jordans and Ryvita Company Australia Pty Ltd		AB Mauri Food (Dongguan) Co., Ltd.	
Yumi's Quality Foods Pty Ltd		Buildig 1, 35 Chi Feng Road, Yangpu District, Shanghai, 200092	
35-37 South Corporate Avenue, Rowville, Victoria 3178		AB Mauri Foods (Shanghai) Company Limited	90%
AB Food & Beverages Australia Pty. Limited		South Ge XinDaDao, West WuZiGou, Wuhan, DongXHu District #30040, China	
170 South Gippsland Highway, Dandenong, VIC 3175		AB Tip Top (Wuhan) Baking Co Ltd	
ABF Wynard Park Limited Partnership		Building T3-4, No. 5001, Huadong Road, Shanghai Jinqiao Export Processing Zone (SA), Customs Supervised Area, Pudong New Area, Shanghai 201201	
Austria			
Schottenring 19, 1010 Wien		ABF Twinings Beverages (Shanghai) Limited	
Primark Austria Ltd & Co KG		868 Yongpu Road, Pujilang Town, Minhang District, Shanghai 201112	
Bangladesh			
Level 13 Shanta Western Tower, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A Dhaka 1208		ABNA (Shanghai) Feed Co., Ltd.	
Twinings Ovaltine Bangladesh Limited		14 Juhai Road, Jinghai Development Zone, Tianjin	
Belgium			
Industriepark 2, 9820 Merelbeke, Belgium		ABNA (Tianjin) Feed Co, Ltd	
AB Mauri Belgium NV		Shu Shan Modern Industrial Zone of Shou County, Huainan City, Anhui Province	
Boulevard Raymond Poincare 07/113, 4020 Liege, Belgium		ABNA Feed (Anhui) Co., Ltd.	
Primark SA		145 Xincheng Road, Tengao Economic Development Zone, Anshan, Liaoning 114225	
Brazil			
Avenida Tietê, L-233 Barranca do Rio Tietê, City of Pederneras, State of Sao Paulo, CEP 17.280-000		ABNA Feed (Liaoning) Co., Ltd.	
AB Brasil Indústria e Comércio de Alimentos Ltda		17 Xiangyang Street, Tu Township, Chayouqianqi, Inner Mongolia	
Alameda Madeira 328, 20 th Floor, Room 2005, Alphaville-Barueri, Sao Paulo 06454-010		Botian Sugar (Chayou Qianqi) Co., Ltd.	
AB Enzymas Brasil Comercial Ltda		No. 1 Botian Road, Economic Development Zone, Zhangbei County, Zhangjiakou City, Hebei Province	
Rua Cardeal Arcoverde. 1641 9th Floor, Sao Paulo		Botian Sugar Industry (Zhangbei) Co., Ltd.	
AB Vista Brasil Comércio De Alimentação Animal Ltda		Development Zone Administration Tower, No. 368 Changjiang Road, Nangang District, Haibin, Heilongjiang Province	
Canada			
Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9		Botian Sugar Industry Co., Ltd.	
AB Mauri (Canada) Limited		1 Industrial North Street, Zhangjiakou, Zhangbei County, Hebei	
Chile			
Miraflores Street No. 222, 28 Floor, Santiago		Hebei Mauri Food Co., Ltd.	
Calsa Chile Inversiones Limitada		Meishan Industrial Estate, Huangge Town, Nansha District, Guangzhou City, Guangdong Province	
China			
No. 1 Tongcheng Street, A Cheng District, Harbin, Heilongjiang Province		Meishan Mauri Yeast Co., Ltd. (in liquidation)	
AB (Harbin) Food Ingredients Company Limited		Panyu Mauri Food Co., Ltd.	
Harbin Mauri Yeast Co., Ltd.		8 Lancun Road, Economic and Technical Development Zone, Minhang, Shanghai 200245	
North Huang He Road, Rudong New Economic Development Zone, Nantong City, Jiangsu Province		Shanghai AB Food & Beverages Co., Ltd	
AB Agri Animal Nutrition (Nantong) Co., Ltd		Jie Liang Zi, Huo Cheug, Yi Li, Xinjiang	
AB Agri Animal Nutrition (Rudong) Co., Ltd.		Xinjiang Mauri Food Co., Ltd.	90%
Chuangxin Road, Tonggu Industry Zone, Sandu Town, Tongge County, Jiangxi Province		No. 68-1, Shuanglong Road, Fushan District, Yantai City, Shandong Province	
AB Agri Pumeixin Tech (Jiangxi) Co. Ltd.		Yantai Mauri Yeast Co., Ltd.	92%
No. 889 West Yan An Road, Changning District, Shanghai, 200050, China			

Notes (continued)

30 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
Colombia <i>Cra 35# 34A-64, Palmira, Valle</i> Fleischmann Foods S.A.		India #218 & #219, Bommasandra – Jigani Link Road, Anekal Taluk, Bangalore, 560105, AB Mauri India (Private) Limited First Floor, Regent Sunny Side, 80 Ft Road, 8th Block, Koramangala Bengaluru, Karnataka, 560030 SPI Specialties Pharma Private Limited 8, Acharya Jagadish Chandra Bose Road, Kolkata, 700017 Twinings Private Limited	
Czech Republic <i>Nádražní 523</i> Bodit Tachov s.r.o. <i>Karolinská 661/4, Karlín, 186 00 Praha 8</i> Primark Prodejny s.r.o.		Indonesia <i>Wisma GKBI Lt.39, Suite 3901, No.28 Jl. Jend. Sudirman, Jakarta, Indonesia</i> PT AB Food & Beverages Indonesia (in liquidation)	
Denmark <i>Skjervevej 42, Trøstrup, 6920 Videbæk,</i> Agro Korn A/S		Ireland <i>47 Mary Street, Dublin 1</i> Abdale Finance Limited Primark Holdings Primark Pension Trustees Limited Proofex Products Company Unlimited Company (in liquidation) Vistavet (Ireland) Limited Yeast Products Company Unlimited Company (in liquidation) <i>Arthur Ryan House, 22-24 Parnell Street, Dublin 1</i> Primark Limited	
Ecuador <i>Medardo Ángel Silva 13 y Panamá, Manzana 12, El Recreo, Eloy Alfaro, Durán, Guayas, Ecuador</i> ABCALSA S.A.		Italy <i>Via Milano 42, 27045, Casteggio, (Pavia)</i> AB Mauri Italy S.p.A. ABF Italy Holdings S.r.l. Primark Italy S.r.l. <i>Via Montanara 22/24, 40051, Castelnuovo Rangone (MO)</i> Acetaia di Modena S.r.l. <i>Via Rizzotto 46, 41126, Modena (MO)</i> Acetaia Fini Modena S.r.l. <i>Via Sandro Pertini 440, 401314, Cavezzo (MO)</i> Acetum S.p.A. <i>Via Allende 9/D, 41032, Cavezzo (MO)</i> Antica Acetaia Simonini S.r.l. <i>Via Ettore Bugatti 11, 20142, Milan</i> Italmill S.p.A.	
Eswatini <i>Ubombo Sugar Limited, Old Main Road, Big Bend, Eswatini</i> Bar Circle Ranch Limited Illovo Swaziland Limited Moyeni Ranch Limited Ubombo Sugar Limited	60% 60% 60% 60%	Japan <i>36F Atago Green Hills Mori Tower, 2-5-1 Atago, Minato-ku, Tokyo</i> Twinings Japan Co Ltd	50%
Finland <i>Tytkimäentie 15b (PO Box 26), Rajamäki, FI-05200</i> AB Enzymes Oy <i>Tytkimäentie 15b (PO Box 57), Rajamäki, FI-05201</i> Enzymes Leasing Finland Oy		Jersey <i>CTV House, La Pouquelaye, St Helier, JE2 3TP, Jersey</i> Bonuit Investments Limited	
France <i>40/42, avenue Georges Pompidou, 69003, à Lyon</i> AB Mauri France SAS <i>75 Square Haussmann, 75008, Paris</i> ABFI France SAS <i>5 Boulevard de l'Oise, Immeuble Le Rond Point, 95015 Cergy Pontoise, Cédex,</i> Foods International S.A.S. <i>3/5 Rue Saint-Georges, 75009, Paris</i> Primark France SAS <i>Chemin du Vallon du maire, 13240, Septemes les Vallons</i> SPI Pharma SAS		Luxembourg <i>9 Allee Scheffer, Luxembourg, L2520, Luxembourg</i> ABF European Holdings & Co SNC (in liquidation)	
Germany <i>Feldbergstrasse 78, 64293, Darmstadt</i> ABF Enzymes GmbH <i>Wandsbeker Zollstrasse 59,22041, Hamburg</i> ABF Deutschland Holdings GmbH Ohly GmbH Ohly Grundbesitz GmbH Rheinische Presshefe- und Spiritwerke GmbH <i>Kennedyplatz 2, 45127, Essen</i> Primark Mode Ltd. & Co. KG Primark Property GmbH <i>Marie-Kahle-Allee 2, D-53113, Bonn</i> Westmill Foods Europe GmbH		Malawi <i>Illovo House, Churchill Road, Limbe, Malawi</i> Dwangwa Sugar Corporation Limited Illovo Sugar (Malawi) plc Malawi Sugar Limited	76% 76%
Guernsey <i>Maison Trinity, Trinity Square, St. Peter Port, GY1 1AT, Guernsey</i> Talisman Guernsey Limited			
Hong Kong <i>7/F DCH Building, 20 Kai Cheung Road, Kowloon Brg, Kowloon</i> Associated British Foods Asia Pacific Holdings Limited			

Notes (continued)

30 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
Malaysia <i>No 118, Jalan Pudu, 1st Floor, 55100 Kuala Lumpur, Malaysia</i>		Pakistan <i>21 KM Ferozepur Road, 2k KM Haadyara Drain, Lahore</i>	
AB Mauri Malaysia Sdn. Bhd.	52%	AB Mauri Pakistan (Private) Limited	60%
Malta <i>57 St. Christopher Street, Valletta, VLT1462, Malta</i>		Peru <i>Av. Argentina No. 1227, Callao</i>	
Relax Limited	70%	Calsa Peru S.A.C.	
Mauritius <i>10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene</i>		Philippines <i>86 E Rodriguez Jr. Ave., Ugong Norte, QC, 1604, Pasig City, Metro Manila</i>	
Illovo Group Financing Services Limited		AB Food & Beverages Philippines, Inc.	99%
Illovo Group Holdings Limited		<i>1201-1202 Prime Land Building, Market Street, Madrigal Business Park, Ayala Alabang, Muntinlupa, 1770</i>	
Illovo Group Marketing Services Limited		AB Mauri Philippines, Inc.	
Kilombero Holdings Limited	73%	Poland <i>Przemysłowa 2, 67-100 Nowa Sól, Lubuskie</i>	
Sucoma Holdings Limited		AB Foods Polska Spółka z ograniczona odpowiedzialnoscia (AB Foods Polska SP. z o.o.)	
Mexico <i>Paseo de la Reforma No 2620, Edificio Reforma Plus, piso 8, 803, 804 y 803, Col. Lomas Atlas, DF 11950, Mexico</i>		<i>ul. Rabowicka 29/31, 62-020, Swarzędz – Jasin, Primark Sklepy spolka z ograniczona odpowiedzialnoscia (Primark Sklepy sp. z.o.o)</i>	
AB CALSA S.A. de C.V.		<i>R. Twining and Company Spółka z ograniczona odpowiedzialnoscia (R. Twining and Company Sp. z o. o.)</i>	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.		<i>ul. Główna 3A, Bruszczevo, 64-030, migiel</i>	
<i>Av. Prolongacion Paseo de la Reforma No. 1015, Torre "A", piso 14 Col., Santa Fe, Cuajimalpa, Ciudad de México, 05348</i>		AB Agri Polska spolka z organiczona odpowiedzialnoscia (AB Agri Polska sp.z.o.o)	
ACH Foods Mexico, S. de R.L. de C.V.		Portugal <i>Avenida Salvador Allende, n.º 99, Lisboa Oeiras, Julião da Barra, Paço de Arcos e Caxias, 2770-157, Paco de Arcas</i>	
Servicios Alimentos Capullo, S. de R.L. de C.V.		AB Mauri Portugal, S.A.	96%
Mozambique <i>KM75 EN1, Maçiana, Distrito de Manhica, Provincia de Maputo</i>		<i>Praça Marquês de Pombal, 1-8º, 1250 – 160 Lisbon</i>	
Maragra Açucar, S.A.	90%	Lojas Primark Portugal – Exploracao, Gestao e Administracao de Espacos Comerciais S.A.	
Netherlands <i>Mijlweg 77, 3316 BE, Dordrecht, Netherlands</i>		Rwanda <i>Shop number E002B, 1st Floor, CHIC Building, Nyarugenge District, Nyarugenge Sector, Kigali City</i>	
AB Mauri Netherlands B.V.		Illovo Sugar (Kigali) Limited	
<i>Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam</i>		Singapore <i>80 Robinson Road, #02-00, 068898 Singapore</i>	
Zuldoost		AB Mauri Investments (Asia) Pte Ltd	
AB Mauri Netherlands European Holdings B.V.		<i>112 Robinson Road, #05-01, 068902 Singapore</i>	
Foods International Holding B.V.		AB Vista Asia Pte. Limited	
Primark Fashion B.V.		Slovakia <i>Dvorakovo nabrezie 4, Bratislava 811 02, Slovakia</i>	
Primark Netherlands B.V.		Primark Slovakia s.r.o.	
Primark Stil B.V.		Slovenia <i>Cesta v Mestni log 88A, Ljubljana 1000, Slovenia</i>	
<i>Weena 505, 3013AL Rotterdam</i>		Primark Trgovine, trgovsko podjetje, d.o.o	
AB Vista Europe B.V.		South Africa <i>1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal, 4320, South Africa</i>	
<i>7122 JS Aalten, Dinxperlosestraatweg 122</i>		CGS Investments (Pty) Limited	
Germaïns Seed Technology B.V.		East African Supply (Pty) Limited	
<i>Brieltjenspolder 16, 4921 PJ Made</i>		Glendale Sugar (Pty) Limited	
Mauri Technology B.V.		Illovo Distributors (Pty) Limited	
<i>Stadhuisstrat 3, 5038XZ, Tilburg</i>		Illovo Sugar (South Africa) Proprietary Limited	
Primark Austria B.V.		Illovo Sugar Africa Proprietary Limited	
Primark Germany B.V.		Ilprop (Pty) Limited	
<i>Dalsteindreef 141, Diemen, 1112XJ</i>		Lacsa (Pty) Limited	70%
Westmill Foods Europe B.V.		Noodsberg Sugar Company (Pty) Limited	
New Zealand <i>Building 3, Level 2, 666 Great South Road, Ellerslie, Auckland 1051</i>		Reynolds Brothers (Pty) Limited	
Allied Foods (NZ) Ltd			
Anzchem NZ Limited			
George Weston Foods (NZ) Limited			
New Zealand Food Industries Limited			
Nigeria <i>23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria</i>			
Twinings Ovaltine Nigeria Limited			

Notes (continued)

30 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
South Africa		United Arab Emirates	
S.A. Sugar Distributors (Pty) Limited		Office 604 ^o , Jafza LOB 15, Jebel Ali Freezone, Dubai, PO BOX 17620	
Smithchem (Pty) Limited		AB Mauri Middle East FZE	
Umzimkulu Sugar Company (Pty) Ltd		United States	
Spain		CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017	
Avenida de Manoteras 46 bis, Edificio Delta Norte, 28050, Madrid		AB Mauri Food Inc.	
AB Azucarera Iberia, S.L. Sociedad Unipersonal		The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	
AB Mauri Food, S.A.		AB Enzymes, Inc	
AB Mauri Spain, S.L.U.		AB Vista, Inc.	
AB Vista Iberia, S.L.		AB World Foods US, Inc.	
Levadura 5, Villarrubia 14710, Cordoba		ABF North America Corp.	
ABF Iberia Holding S.L.		ABF North America Holdings, Inc.	
C/ Escultor Coomonte Bl. 2, Entreplanta, Benavente, Zamora		Abitec Corporation	
Agroteo S.A.	53%	ACH Food Companies, Inc.	
Calle Comunidad do Murcia, Parcela LIE-1-03, Plataforma Logistica de Fraga, 22520, Huesca, Spain		ACH Jupiter LLC	
Altemative Swine Nutrition, S.L.		B.V. ABF Delaware, Inc.	
Avienda Virgen de Montserrat, 44 Castelloli, 08719, Barcelona		Germaines Seed Technology, Inc.	
Germaines Seed Technology, S.A.		PGP International, Inc.	
Plaza Pablo Ruiz Picasso S/N, Torre Picasso, Planta 37, Madrid		Primark US Corp.	
Illovo Sugar Espana, S.L.		SPI Pharma, Inc.	
Gran Via, 32 So 28013, Madrid, Spain		SPI Polyols, LLC	
Primark Tiendas, S.L.U.		Twinings North America, Inc.	
8, 2 Calle Via Servicio I, 2 CP, 19190 Torija, Guadalajara		155 Federal Street, Suite 700, Boston MA 02110	
Primark Logistica, S.L. Sociedad Unipersonal		Primark GCM LLC	
Sri Lanka		158 River Road, Unit B, Clifton, NJ 07014	
124 Templers Road, Mount Lavinia		Balsamic Express LLC	
AB Mauri Lanka (Private) Limited		158 River Road, Unit A, Clifton, NJ 07014	
Switzerland		Modena Fine Foods, Inc.	
Fabrikstrasse 10, CH-3176, Neuenegg		2590 Pioneer Avenue, Suite D, Vista, CA 92081	
Wander AG		PennyPacker, LLC	
Taiwan		18757 Burbank Blvd., Suite 212, Tarzana, CA 91356	
SF, No. 217, Sec 3, Nanking E Rd, Taipei City, 104, Taiwan (R.O.C.)		Prosecco Source, LLC	
AB Food and Beverages Taiwan, Inc.		Uruguay	
Tanzania		Cno. Carlos Antonio Lopez 7547, Montevideo, Uruguay	
Msohwa Mill Office, Kidatau, Kilombero District		Greensted, S.A.	
Illovo Distillers (Tanzania) Limited	80%	Levadura Uruguaya S.A.	
Illovo Tanzania Limited		Venezuela	
Kilombero Sugar Company Limited	55%	Av. Rio Caura, Torre Humboldt, PISO 16, Of. 16-12. Urb. Prados del Este, Caracas, Estado Miranda	
Thailand		Alimentos Fleischmann, C.A., Oficinas Once 3 (Nº 11-3) y Once 4 (Nº 11-4), Torre Mayapan, Centro Comercial San Luis. Av.Principal Urbanización San Luis, cruce con Calle Comercio, Caracas	
11th Floor, 2535 Sukhumvit Road, Kwaeng Bangchak, Khet Prakhnong, Bangkok, 10260		Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	
AB Food & Beverages (Thailand) Ltd.		Vietnam	
ABF Holdings (Thailand) Ltd.		Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6. District 3, Ho Choi Minh City, Vietnam	
1 Empire Tower, 24th Floor, Unit 2412-2413, South Sathorn Road, Yannava, Sathorn, Bangkok, 10120		AB Agri Vietnam Company Limited	
AB World Foods Asia Ltd		Km 102, Highway 20, La Nga Commune – Dinh Quan District, Dong Nai Province, Vietnam	
229/110 Moo 1, Teparak Road, T. Bangsaothong, A. Bangsaothong, Samutprakarn, 10540		AB Mauri Vietnam Limited	66%
Jasol Asia Pacific Limited		Zambia	
Turkey		Nakambala Estates, Plot No. 118a Lubombo Road, Off Great North Road	
Aksakal Mahallesi, Kavakpinari, Kume Evleri No. 5, Bandirma- Ballikesir, 10245, Turkey		Illovo Sugar (Zambia) Limited	
Mauri Maya Sanayi A.S.		Nanga Fams PLC	66%
		Tukunka Agricultural Limited	75%
		Zambia Sugar plc	75%

Notes (continued)

30 Group entities (continued)

Lusaka Stock Exchange (LuSE) regulations require all listed companies in Zambia to have a minimum of 25% of their shares held by public investors to constitute a free float. As a result, Illovo Sugar was required to reduce its shareholding in Zambia Sugar plc by 6.6%. Effective 26 September 2014, 5.1% of the shares were sold to local Zambian institutional investors. As agreed with LuSE, the remaining 1.5% were offered and sold to a local Zambian institutional investor on 5 December 2017. The shareholding for Illovo Sugar at 14 September 2019 was 75% of the total shareholding.

The results and balance sheet of Primark Mode Ltd. & Co. KG are included in these financial statements and these financial statements will be filed in Germany. As a consequence, Primark Mode Ltd. & Co. KG is exempt from the requirement to file its own financial statements under section 264b HGB.

Associated British Foods plc has irrevocably guaranteed all commitments entered into by each of the Irish incorporated subsidiary undertakings listed below, including amounts shown as liabilities in the statutory financial statements of these companies, in respect of the financial year ended 14 September 2019. As a consequence, these subsidiary undertakings may qualify for the exemption under section 357 of the Companies Act 2014 (Ireland) from the provisions of sections 347 and 348 of that Act.

Abdale Finance Limited
Primark Limited
Primark Holdings
Primark Pension Trustees Limited

Joint ventures

A list of the group's joint ventures as at 14 September 2019 is given below. All joint ventures are included in the group's financial statements using equity method of accounting.

Joint venture	% holding	Joint venture	% holding
United Kingdom		<i>Witham St Hugh's, Lincoln, LN6 9TN</i>	
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY</i>		<u>Nomix Enviro Limited</u>	50%
Frontier Agriculture Limited	50%	Australia	
Boothmans (Agriculture) Limited	50%	<i>Building A, Level 2, 11 Talavera Road, North Ryde</i>	
Forward Agronomy Limited	50%	<i>NSW 2113</i>	
G F P (Agriculture) Limited	50%	<u>Fortnum & Masons Pty Limited</u>	33%
GH Grain Limited	50%	Chile	
GH2 Limited	50%	<i>Ave. Balmaceda 3500, Valdivia</i>	
Grain Harvesters Limited	50%	<u>Levaduras Collico S.A.</u>	50%
Nomix Limited	50%	China	
North Wold Agronomy Limited	50%	<i>1828 Tiejueshan Road, Huangdao District, Qingdao,</i>	
Phoenix Agronomy Limited	50%	<i>Shandong Province</i>	
SOYL Limited	50%	<u>Qingdao Xinghua Cereal Oil and Foodstuff Co. Ltd</u>	25%
The Agronomy Partnership Limited	50%	Finland	
<i>1 Monkspath Road, Solihull, West Midlands B90 4FY</i>		<i>Tykkimäentie 15b (PO Box 57), Rajamäki, FIN-05201,</i>	
Tango Real Estate LLP	80%	<i>Finland</i>	
<i>Second Floor, 11 Waterloo Street, Birmingham B2 5TB</i>		<u>Roal Oy</u>	50%
Nurton Developments (Quintus) Limited	50%	France	
<i>Fine Lady Bakeries Ltd, Southam Road, Banbury,</i>		<i>59, Chemin du Moulin, 695701, Carron, Dardilly, France</i>	
<i>Oxfordshire, OX16 2RE</i>		<u>Synchronis</u>	50%
Chiltern Bakeries Limited	44%	Germany	
<i>Berth 36, Test Road, Eastern Docks, Southampton,</i>		<i>Brede 4, 59368, Werne</i>	
<i>Hampshire, SO14 3GG</i>		<u>UNIFERM GmbH & Co. KG</u>	50%
Southampton Grain Terminal Limited	25%	<i>INA Nahrungsmittel GmbH</i>	50%
<i>Kingseat, Newmarcher, Aberdeenshire, AB21 0UE</i>		<u>UNIFERM Verwaltungs GmbH</u>	50%
Euroagkem Limited	50%	<i>Brede 8, 59368, Werne, Germany</i>	
Lothian Crop Specialists Limited	50%	<u>UNIFERM GmbH</u>	50%
<i>1st Floor Offices, 10 Hereford Road, Abergavenny,</i>		Poland	
<i>Monmouthshire, NP7 5P</i>		<i>ul. Wybieg, nr 5, lok 9, miesjsc, KOD 61-315, Poznan,</i>	
Brian Lewis Agriculture Limited	50%	<i>Poland</i>	
<i>47, Beaumont Seymour & Co, Butt Road, Colchester,</i>		<u>Uniferm Polska Sp Z.o.o</u>	50%
<i>Essex CO3 3BZ</i>		South Africa	
Anglia Grain Holdings Limited	50%	<i>1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu</i>	
<i>Riverside, Wissington Road, Nayland, Colchester, Essex,</i>		<i>Natal 4320</i>	
<i>CO6 4LT</i>		<u>Glendale Distilling Company</u>	50%
Anglia Grain Services Limited	50%		
<i>Unit 8, Burnside Business Park, Burnside Road, Market</i>			
<i>Brayton, TF9 3UX</i>			
B.C.W (Agriculture) Limited	50%		

Notes (continued)

30 Group entities (continued)

Joint venture	% holding	Joint venture	% holding
Spain			
<i>C/ Raimundo Fernández, Villaverde 28, Madrid, Spain</i>			
Compañía de Melazas, S.A.	50%	<i>The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801</i>	
United States			
<i>C T Corporation System, 2 North Jackson Street, Suite 605, Montgomery AL 36104</i>			
SOC Land Acquisition Company, LLC	50%	Stratas Foods LLC	50%
Supreme Oil Company-South, LLC	50%	Stratas Receivables I LLC	50%
		Supreme Oil Company LLC	50%
		Supreme Oil Company IC-DISC, Inc.	50%
		Supreme Oil Central, Inc.	50%

Associates

A list of the group's associates as at 14 September 2019 is given below. All associates are included in the group's financial statements using the equity method of accounting.

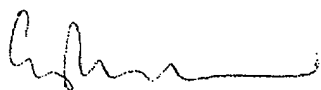
Associates	% holding	Associates	% holding
United Kingdom			
Bakers Basco Limited	20%	Italy	
C. Czarnikow Limited	43%	Czarnikow Italia Srl	
Czarnikow Group Limited	43%		
C. Czarnikow Sugar Futures Limited	43%	Kenya	
C. Czarnikow Sugar Limited	43%	C. Czarnikow Sugar (East Africa) Limited	
Sugarworld Limited	43%		
Proper Nutty Limited	40%	Mauritius	
Vanneck Residential LLP	41%	Sukpak Limited	
Davidson Holdings Limited	23%		
The Adventure Experience Limited	44%	Mexico	
Sweaty Betty Investco Limited	30%	C. Czarnikow Sugar (Mexico), S.A. de C.V.	
Australia			
Murray Bridge Bacon Pty Ltd	20%	Czarnikow Servicios de Personal, S.A. de C.V.	
Big River Pork Pty Ltd	20%		
New Food Coatings Pty Ltd	50%	New Zealand	
Brazil			
Czarnikow Brasil Ltda	43%	New Food Coatings (New Zealand) Ltd	
China			
C. Czarnikow Sugar (Guangzhou) Company Limited	43%		
India			
C. Czarnikow Sugar (India) Private Limited	43%	Philippines	
Indonesia			
PT Indo Fermex	49%	New Food Coatings (Philippines) Inc.	
P.T. Jaya Fermex	49%		
PT Sama Indah	49%	Singapore	
Israel			
Sucarim (Czarnikow Israel Sugar Trading) Ltd	43%	C. Czarnikow Sugar Pte. Limited	
Sucris Limited	21%		
		South Africa	
		Gledhow Sugar Company (Pty) Limited	
		Tanzania	
		Czarnikow Tanzania Limited	
		Msolwa Mill Office, Kidatau, Tanzania	
		Thailand	
		Newly Wed Foods (Trading) Limited	
		Newly Weds Foods (Thailand) Ltd	
		Czarnikow (Thailand) Limited	
		United States	
		C. Czarnikow Sugar Inc.	

Company balance sheet
at 14 September 2019

	<i>Note</i>	2019 £m	2018 £m
Fixed assets			
Investment property	3	3	3
Shares in subsidiary undertakings	4	1,036	1,036
		1,039	1,039
Current assets			
Debtors: amounts falling due within one year	5	431	355
Other investments	6	39	37
Cash at bank and in hand		267	266
		737	658
Creditors: amounts falling due within one year	7	(23)	(17)
		714	641
Net current assets		714	641
Net assets		1,753	1,680
Capital and reserves			
Called up share capital	8	1	1
Share premium account		382	382
Profit and loss reserve		1,370	1,297
		1,753	1,680
Equity shareholders' funds		1,753	1,680

The Company's profit for the 52 week period ended 14 September 2019 was £174m (52 weeks ended 15 September 2018 - £171m)

The financial statements on pages 69 to 73 were approved by the board of directors on 18 December 2019 and were signed on its behalf by:



Guy Weston
 Director

Company Number 00366054

Company Statement of Changes in Equity

for the 52 weeks ended 14 September 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£m	£m	£m	£m
Balance at 16 September 2017	1	382	1,218	1,601
Profit for the period	-	-	171	171
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	171	171
Dividends paid	-	-	(92)	(92)
Balance at 15 September 2018	1	382	1,297	1,680
Profit for the period	-	-	174	174
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	174	174
Dividends paid	-	-	(101)	(101)
Balance at 16 September 2019	1	382	1,370	1,753

Notes

1 Accounting policies

Accounting reference date

The accounting reference date of the Company is the Saturday nearest to 15 September. Accordingly, these financial statements have been prepared for the 52 weeks ended 14 September 2019.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million. They are prepared under the historical cost convention, except that current investments are stated at their fair value, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006. As permitted by section 408(4) of the Companies Act 2006, a separate income statement and statement of comprehensive income for the Company has not been included in these financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Wittington Investments Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; or
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

Depreciation

Depreciation is provided on the original cost of assets or on valuation and is calculated on a straight-line basis at rates sufficient to reduce them to their estimated residual value. No depreciation is provided on freehold land, payments on account or works of art. Leaseholds are written off over the period of the lease. The anticipated life of other assets is generally deemed to be not longer than:

Freehold buildings	-	66 years
Plant, machinery, fixtures and fittings	-	12 years

Works of art are not depreciated and are included at cost, as they do not have a finite useful economic life.

Notes (continued)

Investment property

Investment property is recorded at open market value as determined by independent valuers every five years and by directors at other times. Changes in market value are transferred to a revaluation reserve save that a deficit arising on revaluation of an individual investment property which is considered to be permanent is charged in the profit and loss account of the period. Depreciation is not provided on investment property on the basis that such property is not held for consumption but for investment. The directors believe, therefore, that this accounting policy is necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which would otherwise have been shown cannot be separately identified or quantified.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are reported at cost less any provision for impairment.

2 Profit for the period

As permitted by s408(4) of the Companies Act 2006 the Company has elected not to present its own income statement for the period. Wittington Investments Limited reported a profit for the period ended 14 September 2019 of £174m (2018 - £171m).

3 Investment property

	2019	2018
	£m	£m
Balance at the beginning of the period	3	12
Transfer to subsidiary undertaking		(9)
Balance at the end of the period	3	3

4 Shares in subsidiary undertakings

	Listed £m	Unlisted £m	Total £m
<i>At 14 September 2019</i>	345	691	1,036
<i>At 15 September 2018</i>	345	691	1,036

Investments in subsidiary undertakings are shown at cost less amounts written off. Investments include 403,341,215 ordinary shares of 5 15/22p (2018 - 403,341,215) each in Associated British Foods plc, equivalent to 50.9% of the issued share capital of that company, which is listed on The London Stock Exchange. At 14 September 2019 the market value of the holding was £9,450m (2018 - £9,019m). Associated British Foods plc is incorporated in Great Britain and registered in England. Through its subsidiary, Howard Investments Limited, the Company holds a further 28,173,893 (2018 - 28,173,893) shares in Associated British Foods plc, representing 3.6% of the issued share capital of that company. A list of trading subsidiary undertakings is given in note 28. The holding company structure is complicated and does not necessarily reflect the management grouping in which the companies are listed.

5 Debtors

	2019	2018
	£m	£m
<i>Amounts falling due within one year</i>		
<i>Amounts owed by subsidiary undertakings</i>	423	346
<i>Corporation tax recoverable</i>	3	6
<i>Other debtors</i>	5	3
	431	355

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

6 Other investments

	2019	2018
	£m	£m
<i>Unlisted investments</i>	21	20
<i>Listed investments</i>	18	17
	39	37

Notes (continued)

7 Creditors: amounts falling due within one year

	2019	2018
	<i>£m</i>	<i>£m</i>
<i>Accruals and deferred income</i>	9	6
<i>Amounts due to subsidiary undertakings</i>	14	11
	23	17

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

8 Share Capital

	Ordinary shares of 50p each	Nominal Value £
<i>Authorised</i>		
<i>At 14 September 2019 and 15 September 2018</i>	900,000	450,000
<i>Issued and fully paid</i>		
<i>At 14 September 2019 and 15 September 2018</i>	862,022	431,011