For release 24 April 2019

Associated British Foods plc

Interim Results Announcement

24 weeks ended 2 March 2019

For release 24 April 2019

ASSOCIATED BRITISH FOODS PLC RESULTS FOR 24 WEEKS ENDED 2 MARCH 2019

ABF delivers a robust set of results

Financial Headlines

		Actual	Constant currency
• Group revenue	£7,532m	+1%	+2%
• Adjusted operating profit	£639m	-1%	-2%
• Adjusted profit before tax	£627m	In line	
• Adjusted earnings per share	61.1p	In line	
• Dividend per share	12.05p	+3%	
• Gross investment	£433m		
• Net cash	£386m		

- Statutory operating profit down 14% to £534m, statutory profit before tax down 15% to £515m, and a reduction in basic earnings per share of 19% to 49.2p mainly as a result of an exceptional charge of £79m included in this year's income statement.

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

"This is a robust set of results. Profit at AB Sugar was substantially reduced but, from this period, we expect our sugar profitability to improve. The strong underlying growth in Grocery profits demonstrates good momentum. Primark delivered excellent profit growth, driven by further development of our customer experience and selling space expansion."

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items. These items, together with profits less losses on the sale and closure of businesses, are excluded from adjusted profit before tax and adjusted earnings per share. References to operating profit in the Operating Review are based on this adjusted operating profit measure.

Constant currency figures are derived by translating the 2018 results at 2019 average exchange rates, except for countries where consumer price inflation has escalated to extreme levels, in which case actual exchange rates are used, applied to local currency data before the application of IAS 29.

Underlying profit for Grocery excludes a £12m charge in 2019 in respect of the closure of the Twinings tea factory in Jinqiao, China.

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INTERIM RESULTS ANNOUNCEMENT

For the 24 weeks ended 2 March 2019

CHAIRMAN'S STATEMENT

Revenue for the group of £7.5bn in the first half was 1% ahead of last year and adjusted operating profit of £639m was 1% lower than last year, at actual exchange rates. There was a minimal effect on the translation of these results arising from changes in sterling exchange rates. Net financing costs reduced against the same period last year as a result of an increase in the surplus for our defined benefit pension schemes between the 2017 and 2018 year ends and favourable interest rate movements. As a result, adjusted earnings per share were in line with last year at 61.1 pence.

The statutory operating profit for the period was 14% down at £534m. This year the statutory operating profit includes exceptional items of £79m. Low bread prices and strong competition have been a feature of the trading environment for Allied Bakeries. Notice of the termination of its largest private label manufacturing contract has led to a non-cash impairment of £65m to the assets of that business. A pension service cost of £14m has also been taken for the equalisation of Guaranteed Minimum Pensions for members of the company's defined benefit pension scheme for the period between 1990 and 1997. As a result, the statutory profit before tax reduced by 15% to £515m and basic earnings per share reduced by 19% to 49.2 pence.

We continued to invest for the long term with a gross investment of £433m. Capital expenditure was £382m with over half of this spent on Primark's expansion, including our new store at Birmingham High Street which opened in April, becoming our largest Primark store. In our food businesses, investments were made to expand capacity, including a new state-of-the-art Ryvita bakery in Bardney, Lincolnshire and Westmill's new noodle line in Manchester. Cost reduction remained a focus for capital projects in our sugar, yeast and bakery ingredients businesses, while the expansion of Twinings' tea factory in Poland enabled the consolidation of production from, and closure of, its facility in China. In September 2018 we acquired Yumi's Quality Foods, an Australian manufacturer of premium chilled dips and snacks.

Cash flow before acquisitions and disposals improved compared to the corresponding period last year driven by a reduction in the usual seasonal working capital outflow in the first half. Capital expenditure was in line with last year and consideration paid for businesses acquired during the period amounted to £47m. Together with the payment of the final dividend, these resulted in a net cash balance for the group at the half year of £386m, up from £123m at this time last year, and compared to net cash of £614m at the beginning of the financial year.

Board

As noted in the Annual Report, in September 2018 we welcomed Graham Allan to the board as a non-executive director. We look forward to working with him.

After twelve years as a director on our board, Javier Ferrán stood down at our Annual General Meeting in December, and I reiterate my thanks to him for his time and commitment throughout these years. Ruth Cairnie took on the responsibilities of Senior Independent Director.

Dividends

The board has declared an interim dividend of 12.05 pence per share, an increase of 3% on last year. The dividend will be paid on 5 July 2019 to shareholders registered at the close of business on 7 June 2019.

Outlook

In the first half, excellent profit growth was delivered by Primark and, on an underlying basis, by Grocery. This growth was mainly offset by the decline in AB Sugar. In the second half we expect the underlying growth in Grocery to continue. Our full year outlook for Primark profit is unchanged and will reflect the expected margin reduction in the second half due to the effect of a stronger US dollar on purchases.

Our full year outlook for the group is unchanged, with adjusted earnings per share expected to be in line with last year.

Michael McLintock
Chairman

OPERATING REVIEW

Group revenue of £7.5bn was 2% ahead of last year, and adjusted operating profit was 2% behind last year, at constant currency. The group delivered a robust set of results in this period, with excellent profit growth achieved in Primark and Grocery, offset by the expected reduction in profit at AB Sugar.

Primark's profit growth of 25% was very strong, reflecting its continued selling space expansion and improved margins, which were driven not only by favourable exchange rates but also by better buying. It was pleasing to see the business trade well in most countries and gain substantial share in competitive European retail markets. In Germany we have strengthened the management team to address our difficult trading there. Of particular note is the strength of our performance in the UK, with superior sales growth and a strong increase in our share of the overall clothing market. We unveiled our new store in Birmingham this month, our largest Primark store to date, which was greeted enthusiastically by our customers. This store showcases the breadth of the Primark offer as it is today and is a clear demonstration of Primark's continuing development.

Strong progress was made in Grocery, with excellent growth in adjusted operating profit on an underlying basis. This growth was broadly based, driven by a combination of commercial developments, cost reduction and improvements in operating efficiency. The trading performance of our recently acquired premium balsamic vinegar business, Acetum, was very pleasing especially with its development in international markets. We are focused on, and committed to, further reducing the losses at Allied Bakeries and are developing options for measures to be taken as needed.

The reduction in profit reported by our UK and Spanish sugar businesses was, as previously explained, the result of significantly lower prices which affected the EU sugar industry. With our ongoing cost reduction focus, a later phasing of profit in this financial year for Illovo, and some recovery in EU sugar prices we expect, from this period, our sugar profitability to improve.

The consequences for the group of the UK leaving the EU should be seen in the context of the diversity of our operations and geographical footprint. Primark has discrete supply chains for the UK and Eurozone and our business model, wherever possible, aligns food production with the end markets for our products. In common with many other businesses, we share a concern about the risk of abrupt changes to the UK's customs procedures. We therefore welcome the recently agreed extension to the Article 50 process and Government's intention to have a transition period in which to implement the necessary systems and processes. While we continue to regard the possibility of the UK leaving the EU without any form of transition period as unlikely, those businesses that might expect to see some disruption in these circumstances have made the preparations necessary to ensure this disruption is minimised. We do not expect these preparations to materially impact the financial performance, or position, of the group.

Sales and profit growth commentary in this Operating Review are based on results stated at constant currency. Constant currency figures are derived by translating the 2018 results at 2019 average exchange rates, except for countries where consumer price inflation has escalated to extreme levels, in which case actual exchange rates are used, applied to local currency data before the application of IAS 29.

Grocery

	2019	2018	Actual fx	Constant fx
Revenue £m	**1,721**	1,672	+3%	+3%
Adjusted operating profit £m	**167**	159	+5%	+2%

Revenue in the first half was 3% ahead of last year at constant currency. We have adopted the new accounting standard IFRS 15 *Revenue from Contracts with Customers* from the start of this financial year. Revenue was reduced by £16m in the first half as certain payments to customers, which were previously expensed, are now deducted from revenue and so, on a comparable basis, Grocery revenue increased 4% on last year. The major contributors to this growth were George Weston Foods in Australia, including the first contribution from Yumi's, a full half year contribution from Acetum, Twinings Ovaltine and pricing at Allied Bakeries.

Operating profit in the first half was up 2% at constant currency. However, this includes a £12m one-time cost for the closure of the Twinings tea factory in Jinqiao, China. On an underlying basis Grocery profit increased 10% on last year and margin was well ahead. This margin improvement was driven by trading at Twinings Ovaltine, George Weston Foods, ACH in the US, and improved profitability at Acetum.

Twinings Ovaltine revenues were ahead of last year with especially strong growth in Twinings. Sales in Australia and the UK benefited from the success of the Cold Infuse teas range launched last summer leading to record market shares in both countries. In addition, good growth was achieved in the US, China and Italy. Ovaltine increased sales in the important market of Switzerland, through new product launches, and achieved good growth in Brazil, although sales in Thailand were lower than an exceptionally strong first half last year. We successfully completed the transfer of tea production from Jinqiao, China to our existing site in Swarzedz, Poland.

Jordans and Ryvita achieved good sales growth in a number of international markets, sales of Ryvita Thins grew in the UK, although profit declined due to increased raw materials costs. Strong progress was made in the period to deliver an improved manufacturing capability, with the commissioning of the new Ryvita bakery in Bardney, Lincolnshire and the closure of the production facility at Poundbury, Dorset. At AB World Foods sales of Blue Dragon increased in the UK, while strong market share gains were delivered in the US through expanded distribution and supported by the successful Patak's paste pots advertising campaign featuring Jamie Oliver. Westmill achieved further growth in sales of noodles, although rice sales declined in a highly competitive market.

At Allied Bakeries, recent customer discussions on pricing have had some success but have also led to the termination of our largest private label bread manufacturing contract by a major retailer. The effect of the volume loss is expected to be seen in our next financial year. Although our operating losses are forecast to be reduced this year, the carrying value of the assets in this business was no longer supported by our forecasts of its discounted future cash flows as a result of the termination of the private label contract. Consequently, a non-cash impairment charge of £65m has been recognised as an exceptional item in the income statement. We continue to reduce the cost base at Allied Bakeries with some actions planned in the second half. We are focused on, and committed to, further reducing these losses and are developing options for measures to be taken as needed.

We have benefited from a full period of ownership of Acetum, the leading Italian producer of Balsamic Vinegar of Modena, which was acquired in October 2017. Margins have improved with grape must prices lower than the exceptionally high level last year following a poor grape harvest in 2017. Sales increased in the important market of Germany, distribution was extended in Australia and the Mazzetti brand was introduced to the UK.

At ACH in the US sales of Mazola corn oil increased strongly, supported by successful television advertising, and delivered further volume and share growth in a competitive consumer oils market. This, coupled with lower oil commodity costs, resulted in increased operating profit and margins. Profit in Mexico benefited from improved margins for Capullo canola oil.

At George Weston Foods in Australia, sales increased and margins improved significantly. Tip Top achieved higher packaged bread volumes while the launch of Abbott's Bakery Thins was well received. Operating performance at the Don KRC meat business improved and additional improvements in factory efficiency, combined with lower procurement costs, delivered a further increase in margin. Sales grew strongly at Yumi's, the recently acquired premium chilled dips and snacks business, and resulted in significant market share gains.

Sugar

Ongoing businesses	2019	2018	Actual fx	Constant fx
Revenue £m	**769**	881	-13%	-11%
Adjusted operating profit £m	**1**	106		

AB Sugar revenue was well down on last year in the first half, as expected, with lower EU contracted sugar prices impacting our UK and Spanish businesses. The decline in adjusted operating profit was the consequence of these lower prices, a poor crop in China and a later phasing of profit in Illovo this financial year. We expect the profit decline for the full year to be reflected in this first half and for second half profits to be in line with those achieved in the second half last year. Operating profit for the full year remains in line with our expectations.

EU stock levels have been tightening during 2018/19 as a consequence of the lower sugar production in the current campaign. A reduction in the total European crop area for the 2019/20 season is expected and the UK crop area will be 7% lower. Stocks are likely to remain low which should underpin spot EU sugar prices following their recent recovery.

In the UK, sugar production of 1.15 million tonnes compared to 1.37 million tonnes last year when beet yields reached record levels. The campaign benefited from good harvesting conditions, as a result of dry weather, and consistent factory throughputs. Looking ahead, there has been good take-up by growers of sugar beet contracts for the 2019/20 season. Early drilling, as a result of the mild, dry spring, should result in improved beet yields. However, the range of crop estimates is wider than usual due to the potential impact of the ban on neonicotinoids as a seed treatment from this year.

In Spain, production from beet is expected to be 270,000 tonnes, lower than last year due to adverse weather in the south. The beet sugar shortfall will be compensated by increased production from the refining of cane raws at Guadalete which has yielded 154,000 tonnes. Drilling for the 2019/20 campaign has commenced, reduced beet prices have been notified, and we have commenced the contracting of volumes with growers. The benefit of these reduced costs will be seen next financial year, although it is expected to be partially offset by a reduced crop area in the north.

In China, sugar production was 148,000 tonnes compared to 166,000 tonnes last year due to very poor quality beet following a period of adverse weather. As a result of the lower production and low domestic sugar prices the business will make a loss in this financial year.

Driven by further improvements in cane yields, sugar production at Illovo is expected to be 1.76 million tonnes in this financial year compared to 1.7 million tonnes last year. Wet weather delayed the start of the campaign and will result in a later phasing of profit during this financial year. Production at the Nakambala mill in Zambia exceeded 400,000 tonnes in the last campaign. Domestic sugar prices strengthened, particularly in South Africa. Cyclone Idai made landfall in March in central Mozambique and also affected Malawi and Zimbabwe. The impact to our operations was modest, with some flooding at our Nchalo sugar estate in southern Malawi. We have provided aid and support to those affected among our workforce.

Germains, our seed treatment and enhancement business, benefited from increased capacity in the US horticulture market following the completion of the expansion of the facility in Gilroy, California.

Agriculture

Ongoing businesses	2019	2018	Actual fx	Constant fx
Revenue £m	**665**	614	+8%	+8%
Adjusted operating profit £m	**15**	24	-38%	-40%

AB Agri revenue increased by 8% in the first half, driven by higher feed sales in the UK and China where higher feed prices reflected increased raw material costs, especially grain. Adjusted operating profit fell markedly, mainly as a result of reduced margins and later phasing in sales of UK animal feed, and lower profits at Speciality Nutrition which benefited from high vitamin prices last year.

In the UK, compound feed volumes were higher due to increased demand in the pig and poultry sectors but sales of sugar beet feed fell due to the mild winter, although are expected to recover in the second half. Margins were reduced with an adverse sales mix and an under-recovery of energy and distribution costs. The closure of the Vivergo bioethanol plant last autumn reduced the availability of co-products, of which Trident Feeds was the sole marketer, with a consequent reduction in operating profit.

Profit at Speciality Nutrition, our premix and starter feed business, reduced in the half year but this compared to a strong first half last year when vitamin prices and margins were unusually high. Sales grew strongly from our new mill in Spain and we acquired a small starter feed business in Poland.

This year, Frontier is expected to benefit from an improvement in grain trading in the UK and higher crop input sales to farmers following the mild winter. AB Vista maintained its position as a leader in phytase in the global feed enzyme market and, although sales were impacted by increased competition in the Americas, good sales growth was achieved in south east Asia.

Ingredients

Ongoing businesses	**2019**	2018	Actual fx	Constant fx
Revenue £m	**744**	716	+4%	+5%
Adjusted operating profit £m	**64**	63	+2%	+2%

Revenue in the first half was 5% ahead of last year and operating profit was 2% ahead at constant currency.

AB Mauri delivered sales growth in all regions, with a consequent increase in operating profit, and continued to invest in the operating performance of its plants. In North America higher input costs, especially freight, impacted margins in the first half although price increases have now been secured to offset this. Our businesses in South America performed well in challenging economic conditions. In Argentina selling prices and raw materials costs were well-managed in that inflationary economy. Following a sustained period of high price inflation, we have applied hyperinflationary accounting under IAS 29 for Argentina from the beginning of this financial year.

Trading performance in Europe benefited from the integration of Holgran and Fleming Howden which were acquired last year. In China, the construction of a new state-of-the-art bakery ingredients factory in Dongguan was completed, and increased customer coverage for yeast resulted in higher sales volumes.

ABF Ingredients also delivered sales growth but margin was slightly reduced with adverse sales mix in enzymes and investment in sales and business development capability. Our enzymes business achieved significant growth in the bakery, food and detergent markets through new product development and international expansion. SPI Pharma delivered strong growth in pharmaceutical excipients and PGPI, our US protein extrusion business, increased sales of plant protein crisps and took further share in the expanding US health and nutrition bar market. Ohly, our yeast extracts and seasoning powders business, simplified its operation in the US with the sale of its underutilised torula yeast fermentation facility at Hutchinson combined with a long-term supply agreement with the purchaser. Details of this disposal are set out in note 6.

Retail

	2019	2018	Actual fx	Constant fx
Revenue £m	**3,630**	3,477	+4%	+4%
Adjusted operating profit £m	**426**	341	+25%	+25%

Sales at Primark were 4.4% ahead of last year, driven by increased retail selling space partially offset by a 1.5% decline in like-for-like sales. With a much higher margin, profit was 25% ahead of last year. Early customer reaction to the new spring/summer range has been encouraging.

The UK continued to perform well. Sales were 2.3% ahead of last year, like-for-like sales grew by 0.6% and our share of the total clothing, footwear and accessories market increased substantially. The effect of low footfall in November was offset by good trading in all other months of the first half, with strong growth in the last two weeks of the period compared to a spell of very cold weather last year.

Sales in the Eurozone were 5.3% ahead of last year at constant currency. Like-for-like sales fell by 3.2% driven by the decline in the German market and also footfall in November across all markets. Particularly strong sales growth was seen in Spain, France, Italy and Belgium. In Germany we have strengthened the management team to address the trading which continues to be difficult. Preparations are underway to reduce selling space at a small number of German stores in order to optimise their cost base.

Our business in the US continued to perform strongly, driven by excellent trading at our recently opened Brooklyn store combined with like-for-like sales growth. This, coupled with the benefit to store profitability arising from the reduction in selling space at Freehold and Danbury last year, resulted in a much-reduced US operating loss.

Operating margin in the first half was 11.7%, well ahead of the same period last year when margin was 9.8%. The effect of a weaker US dollar on purchases contracted for the first half benefited input costs, while better buying, tight stock management and reduced markdowns also drove the margin improvement. Foreign exchange contracts are in place for all of the remaining purchases for the year and the strengthening of the US dollar reflected in those contracts will result in a lower operating margin in the second half. For the full year our expectation for operating profit is unchanged, with margin a little ahead of last year.

During the second half Primark's buying, merchandising, design, sourcing and quality functions, currently located in Reading and Dublin, will be consolidated in Dublin. This will further enable one global product range for our customers, the delivery of efficiencies and support our expansion into international markets.

Retail selling space increased by 0.3 million sq ft since the financial year end and, at 2 March 2019, 364 stores were trading from 15.1 million sq ft compared to 14.3 million sq ft a year ago. Four new stores were opened in the period: Seville and Almeria in Spain, Toulouse in France and a city centre store in Berlin, Germany. In the UK we relocated to larger premises in Harrow and the Merry Hill and Peckham stores were extended.

We expect to add 950,000 square feet of new selling space in this financial year, comprising stores in new locations and additional space from relocations. In the third quarter a net 0.4 million sq ft of additional selling space is planned with six stores opening over six days. We have already opened new stores in Brussels in Belgium, Bordeaux in France, Wuppertal in Germany, Hastings, Bluewater, Milton Keynes and Belfast in the UK and we have relocated to new premises in Birmingham High Street which, at 160,000 sq ft, became our largest store. For the remainder of the year, new stores are planned for Utrecht in the Netherlands, Bonn in Germany and our first store in Slovenia, in Ljubljana.

There will be a reduction of some 150,000 sq ft this year. Our smaller store in Oviedo, Spain has been closed, our store in the King of Prussia mall in Pennsylvania has been downsized, and we are working to reduce selling space at a small number of German stores.

Ljubljana will be our first store in central Europe and we have now signed leases for our first stores in Poland and the Czech Republic.

New store openings to date

UK	Spain	Germany	France	Belgium
Hastings	Seville	Berlin Zoom	Toulouse	Brussels Chaussee D'Ixelles
Bluewater	Almeria	Wuppertal	Bordeaux	
Belfast Donegall Place				
Milton Keynes				

Relocations

Harrow, Birmingham High Street

New stores planned for the second half

Netherlands	Germany	Slovenia
Utrecht	Bonn	Ljubljana

George Weston
Chief Executive

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 24 weeks ended 2 March 2019

Continuing operations	Note	**24 weeks ended 2 March 2019 £m**	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
Revenue	1	**7,532**	7,422	15,574
Operating costs before exceptional items		**(6,945)**	(6,830)	(14,290)
Exceptional items	2	**(79)**	–	–
		508	592	1,284
Share of profit after tax from joint ventures and associates		**24**	24	54
Profits less losses on disposal of non-current assets		**2**	2	6
Operating profit		**534**	618	1,344
Adjusted operating profit	1	**639**	648	1,404
Profits less losses on disposal of non-current assets		**2**	2	6
Amortisation of non-operating intangibles		**(20)**	(17)	(41)
Acquired inventory fair value adjustments		**(7)**	(15)	(23)
Transaction costs		**(1)**	–	(2)
Exceptional items		**(79)**	–	–
Profits less losses on sale and closure of businesses	6	**(7)**	5	(34)
Profit before interest		**527**	623	1,310
Finance income		**8**	7	15
Finance expense		**(23)**	(25)	(50)
Other financial income/(expense)		**3**	(2)	4
Profit before taxation		**515**	603	1,279
Adjusted profit before taxation		**627**	628	1,373
Profits less losses on disposal of non-current assets		**2**	2	6
Amortisation of non-operating intangibles		**(20)**	(17)	(41)
Acquired inventory fair value adjustments		**(7)**	(15)	(23)
Transaction costs		**(1)**	–	(2)
Exceptional items		**(79)**	–	–
Profits less losses on sale and closure of businesses		**(7)**	5	(34)
Taxation – UK		**(27)**	(32)	(105)
– Overseas		**(91)**	(80)	(152)
	3	**(118)**	(112)	(257)
Profit for the period		**397**	491	1,022
Attributable to				
Equity shareholders		**389**	481	1,007
Non-controlling interests		**8**	10	15
Profit for the period		**397**	491	1,022
Basic and diluted earnings per ordinary share (pence)	4	**49.2**	60.9	127.5
Dividends per share paid and proposed for the period (pence)	5	**12.05**	11.70	45.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 24 weeks ended 2 March 2019

	24 weeks ended 2 March 2019 £m	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
Profit for the period recognised in the income statement	**397**	491	1,022
Other comprehensive income			
Remeasurements of defined benefit schemes	**(178)**	224	310
Deferred tax associated with defined benefit schemes	**30**	(42)	(53)
Items that will not be reclassified to profit or loss	**(148)**	182	257
Effect of movements in foreign exchange	**(134)**	(7)	(85)
Net gain/(loss) on hedge of net investment in foreign subsidiaries	**8**	(7)	(10)
Deferred tax associated with movements in foreign exchange	**–**	1	1
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**(3)**	–	–
Movement in cash flow hedging position	**(33)**	20	55
Deferred tax associated with movement in cash flow hedging position	**8**	(4)	(12)
Effect of hyperinflationary economies	**46**	–	–
Deferred tax associated with hyperinflationary economies	**(6)**	–	–
Items that are or may be subsequently reclassified to profit or loss	**(114)**	3	(51)
Other comprehensive income for the period	**(262)**	185	206
Total comprehensive income for the period	**135**	676	1,228
Attributable to			
Equity shareholders	**131**	666	1,215
Non-controlling interests	**4**	10	13
Total comprehensive income for the period	**135**	676	1,228

CONDENSED CONSOLIDATED BALANCE SHEET

At 2 March 2019

	2 March 2019 £m	3 March 2018 £m	15 September 2018 £m
Non-current assets			
Intangible assets	**1,658**	1,627	1,632
Property, plant and equipment	**5,663**	5,611	5,747
Investments in joint ventures	**215**	204	219
Investments in associates	**49**	48	47
Employee benefits assets	**403**	504	579
Deferred tax assets	**131**	149	133
Other receivables	**47**	54	50
Total non-current assets	**8,166**	8,197	8,407
Current assets			
Inventories	**2,282**	2,314	2,187
Biological assets	**106**	103	84
Trade and other receivables	**1,435**	1,346	1,436
Derivative assets	**91**	74	132
Current asset investments	**26**	–	30
Income tax	**–**	–	54
Cash and cash equivalents	**1,149**	887	1,362
Total current assets	**5,089**	4,724	5,285
Total assets	**13,255**	12,921	13,692
Current liabilities			
Loans and overdrafts	**(439)**	(183)	(419)
Trade and other payables	**(2,298)**	(2,223)	(2,529)
Derivative liabilities	**(58)**	(78)	(52)
Income tax	**(94)**	(138)	(160)
Provisions	**(61)**	(82)	(88)
Total current liabilities	**(2,950)**	(2,704)	(3,248)
Non-current liabilities			
Loans	**(350)**	(581)	(359)
Other payables	**(267)**	(246)	(269)
Provisions	**(54)**	(48)	(52)
Deferred tax liabilities	**(305)**	(330)	(324)
Employee benefits liabilities	**(154)**	(154)	(144)
Total non-current liabilities	**(1,130)**	(1,359)	(1,148)
Total liabilities	**(4,080)**	(4,063)	(4,396)
Net assets	**9,175**	8,858	9,296
Equity			
Issued capital	**45**	45	45
Other reserves	**175**	175	175
Translation reserve	**238**	443	363
Hedging reserve	**(12)**	(15)	13
Retained earnings	**8,643**	8,126	8,615
Total equity attributable to equity shareholders	**9,089**	8,774	9,211
Non-controlling interests	**86**	84	85
Total equity	**9,175**	8,858	9,296

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 24 weeks ended 2 March 2019

	24 weeks ended 2 March 2019 £m	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
Cash flow from operating activities			
Profit before taxation	**515**	603	1,279
Profits less losses on disposal of non-current assets	**(2)**	(2)	(6)
Profits less losses on sale and closure of businesses	**7**	(5)	34
Transaction costs	**1**	–	2
Finance income	**(8)**	(7)	(15)
Finance expense	**23**	25	50
Other financial (income)/expense	**(3)**	2	(4)
Share of profit after tax from joint ventures and associates	**(24)**	(24)	(54)
Amortisation	**32**	28	65
Depreciation	**265**	233	509
Exceptional items	**79**	–	–
Acquired inventory fair value adjustments	**7**	15	23
Net change in the fair value of current biological assets	**(26)**	(14)	5
Share-based payment expense	**9**	7	19
Pension costs less contributions	**2**	1	4
Increase in inventories	**(139)**	(128)	(35)
(Increase)/decrease in receivables	**(12)**	11	(99)
Decrease in payables	**(138)**	(284)	(19)
Purchases less sales of current biological assets	**–**	–	(1)
Decrease in provisions	**(24)**	(25)	(30)
Cash generated from operations	**564**	436	1,727
Income taxes paid	**(122)**	(111)	(297)
Net cash from operating activities	**442**	325	1,430
Cash flows from investing activities			
Dividends received from joint ventures and associates	**25**	25	42
Purchase of property, plant and equipment	**(348)**	(351)	(787)
Purchase of intangibles	**(34)**	(37)	(81)
Sale of property, plant and equipment	**6**	10	23
Purchase of subsidiaries, joint ventures and associates	**(47)**	(195)	(208)
Sale of subsidiaries, joint ventures and associates	**5**	–	1
Interest received	**10**	4	10
Net cash from investing activities	**(383)**	(544)	(1,000)
Cash flows from financing activities			
Dividends paid to non-controlling interests	**(1)**	(2)	(4)
Dividends paid to equity shareholders	**(263)**	(234)	(327)
Interest paid	**(20)**	(22)	(50)
Decrease in short-term loans	**(11)**	(115)	(111)
(Decrease)/increase in long-term loans	**(7)**	(5)	19
Decrease/(increase) in current asset investments	**3**	–	(30)
Purchase of shares in subsidiary undertaking from non-controlling interests	**(1)**	(1)	(1)
Sale of shares in subsidiary undertakings to non-controlling interests	**–**	1	1
Movements from changes in own shares held	**–**	–	(30)
Net cash from financing activities	**(300)**	(378)	(533)
Net decrease in cash and cash equivalents	**(241)**	(597)	(103)
Cash and cash equivalents at the beginning of the period	**1,271**	1,386	1,386
Effect of movements in foreign exchange	**1**	(6)	(12)
Cash and cash equivalents at the end of the period	**1,031**	783	1,271

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 24 weeks ended 2 March 2019

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	389	389	8	397
Remeasurements of defined benefit schemes		–	–	–	–	(178)	(178)	–	(178)
Deferred tax associated with defined benefit schemes		–	–	–	–	30	30	–	30
Items that will not be reclassified to profit or loss		–	–	–	–	(148)	(148)	–	(148)
Effect of movements in foreign exchange		–	–	(130)	–	–	(130)	(4)	(134)
Net gain on hedge of net investment in foreign subsidiaries		–	–	8	–	–	8	–	8
Movements in foreign exchange on businesses disposed		–	–	(3)	–	–	(3)	–	(3)
Movement in cash flow hedging position		–	–	–	(33)	–	(33)	–	(33)
Deferred tax associated with movements in cash flow hedging position		–	–	–	8	–	8	–	8
Effect of hyperinflationary economies		–	–	–	–	46	46	–	46
Deferred tax associated with hyperinflationary economies		–	–	–	–	(6)	(6)	–	(6)
Items that are or may be subsequently reclassified to profit or loss		–	–	(125)	(25)	40	(110)	(4)	(114)
Other comprehensive income		–	–	(125)	(25)	(108)	(258)	(4)	(262)
Total comprehensive income		–	–	(125)	(25)	281	131	4	135
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(263)	(263)	–	(263)
Net movement in own shares held		–	–	–	–	9	9	–	9
Dividends paid to non-controlling interests		–	–	–	–	–	–	(1)	(1)
Acquisition and disposal of non-controlling interests		–	–	–	–	1	1	(2)	(1)
Total transactions with owners		–	–	–	–	(253)	(253)	(3)	(256)
Balance as at 2 March 2019		**45**	**175**	**238**	**(12)**	**8,643**	**9,089**	**86**	**9,175**
Balance as at 16 September 2017		45	175	456	(31)	7,694	8,339	73	8,412
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	481	481	10	491
Remeasurements of defined benefit schemes		–	–	–	–	224	224	–	224
Deferred tax associated with defined benefit schemes		–	–	–	–	(42)	(42)	–	(42)
Items that will not be reclassified to profit or loss		–	–	–	–	182	182	–	182
Effect of movements in foreign exchange		–	–	(7)	–	–	(7)	–	(7)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(7)	–	–	(7)	–	(7)
Deferred tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	–	20	–	20	–	20
Deferred tax associated with movement in cash flow hedging position		–	–	–	(4)	–	(4)	–	(4)
Items that are or may be subsequently reclassified to profit or loss		–	–	(13)	16	–	3	–	3
Other comprehensive income		–	–	(13)	16	182	185	–	185
Total comprehensive income		–	–	(13)	16	663	666	10	676
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(234)	(234)	–	(234)
Net movement in own shares held		–	–	–	–	7	7	–	7
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3)	(3)
Acquisition and disposal of non-controlling interests		–	–	–	–	(4)	(4)	4	–
Total transactions with owners		–	–	–	–	(231)	(231)	1	(230)
Balance as at 3 March 2018		45	175	443	(15)	8,126	8,774	84	8,858
Balance as at 16 September 2017		45	175	456	(31)	7,694	8,339	73	8,412
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	1,007	1,007	15	1,022
Remeasurements of defined benefit schemes		–	–	–	–	310	310	–	310
Deferred tax associated with defined benefit schemes		–	–	–	–	(53)	(53)	–	(53)
Items that will not be reclassified to profit or loss		–	–	–	–	257	257	–	257
Effect of movements in foreign exchange		–	–	(83)	–	–	(83)	(2)	(85)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(10)	–	–	(10)	–	(10)
Deferred tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	(1)	56	–	55	–	55
Deferred tax associated with movement in cash flow hedging position		–	–	–	(12)	–	(12)	–	(12)
Items that are or may be subsequently reclassified to profit or loss		–	–	(93)	44	–	(49)	(2)	(51)
Other comprehensive income		–	–	(93)	44	257	208	(2)	206
Total comprehensive income		–	–	(93)	44	1,264	1,215	13	1,228
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(327)	(327)	–	(327)
Net movement in own shares held		–	–	–	–	(11)	(11)	–	(11)
Deferred tax associated with share-based payments		–	–	–	–	(1)	(1)	–	(1)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(5)	(5)
Acquisition and disposal of non-controlling interests		–	–	–	–	(4)	(4)	4	–
Total transactions with owners		–	–	–	–	(343)	(343)	(1)	(344)
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296

1. Operating segments

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, operating intangibles and biological assets. Businesses disposed are shown separately and comparatives have been re-presented for businesses sold or closed during the period.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, balsamic vinegars, bread & baked goods, chilled foods, cereals, ethnic foods and meat products, which are sold to retail, wholesale and foodservice businesses.
Sugar	The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the Grocery segment.
Agriculture	The manufacture of animal feeds and the provision of other products and services for the agriculture sector.
Ingredients	The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts, cereal specialities and pharmaceutical excipients.
Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information

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

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

	Revenue			Adjusted operating profit		
	24 weeks ended 2 March 2019 £m	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m	**24 weeks ended 2 March 2019 £m**	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
Operating segments						
Grocery	**1,721**	1,672	3,420	**167**	159	335
Sugar	**769**	881	1,730	**1**	106	123
Agriculture	**665**	614	1,350	**15**	24	59
Ingredients	**744**	716	1,459	**64**	63	143
Retail	**3,630**	3,477	7,477	**426**	341	843
Central	**–**	–	–	**(34)**	(29)	(64)
	7,529	7,360	15,436	**639**	664	1,439
Businesses disposed:						
Sugar	**–**	57	128	**–**	(16)	(34)
Agriculture	**–**	1	1	**–**	–	(1)
Ingredients	**3**	4	9	**–**	–	–
	7,532	7,422	15,574	**639**	648	1,404
Geographical information						
United Kingdom	**2,784**	2,723	5,863	**230**	251	557
Europe & Africa	**2,854**	2,833	5,851	**255**	245	528
The Americas	**780**	742	1,525	**116**	102	206
Asia Pacific	**1,111**	1,062	2,197	**38**	66	148
	7,529	7,360	15,436	**639**	664	1,439
Businesses disposed:						
United Kingdom	**–**	29	66	**–**	(16)	(34)
Europe & Africa	**–**	28	62	**–**	–	–
The Americas	**3**	4	9	**–**	–	–
Asia Pacific	**–**	1	1	**–**	–	(1)
	7,532	7,422	15,574	**639**	648	1,404

1. Operating segments for the 24 weeks ended 2 March 2019

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,722	796	667	827	3,630	(113)	7,529
Internal revenue	(1)	(27)	(2)	(83)	–	113	–
External revenue from continuing businesses	1,721	769	665	744	3,630	–	7,529
Businesses disposed	–	–	–	3	–	–	3
Revenue from external customers	1,721	769	665	747	3,630	–	7,532
Adjusted operating profit before joint ventures and associates	152	–	13	57	426	(34)	614
Share of profit after tax from joint ventures and associates	15	1	2	7	–	–	25
Adjusted operating profit	167	1	15	64	426	(34)	639
Profits less losses on disposal of non-current assets	2	–	–	–	–	–	2
Amortisation of non-operating intangibles	(18)	–	–	(2)	–	–	(20)
Acquired inventory fair value adjustments	(7)	–	–	–	–	–	(7)
Transaction costs	–	–	(1)	–	–	–	(1)
Exceptional items	(65)	–	–	–	–	(14)	(79)
Profits less losses on sale and closure of businesses	–	–	–	(7)	–	–	(7)
Profit before interest	79	1	14	55	426	(48)	527
Finance income						8	8
Finance expense						(23)	(23)
Other financial income						3	3
Taxation						(118)	(118)
Profit for the period	79	1	14	55	426	(178)	397
Segment assets (excluding joint ventures and associates)	2,638	2,202	463	1,467	4,386	126	11,282
Investments in joint ventures and associates	35	26	136	67	–	–	264
Segment assets	2,673	2,228	599	1,534	4,386	126	11,546
Cash and cash equivalents						1,149	1,149
Current asset investments						26	26
Deferred tax assets						131	131
Employee benefits assets						403	403
Segment liabilities	(532)	(397)	(149)	(261)	(1,198)	(201)	(2,738)
Loans and overdrafts						(789)	(789)
Income tax						(94)	(94)
Deferred tax liabilities						(305)	(305)
Employee benefits liabilities						(154)	(154)
Net assets	2,141	1,831	450	1,273	3,188	292	9,175
Non-current asset additions	66	48	5	46	173	9	347
Depreciation	(47)	(46)	(6)	(24)	(141)	(1)	(265)
Amortisation	(25)	(1)	(1)	(3)	(1)	(1)	(32)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,784	2,854	783	1,111	7,532
Segment assets	4,549	4,418	1,087	1,492	11,546
Non-current asset additions	155	123	30	39	347
Depreciation	(96)	(118)	(21)	(30)	(265)
Amortisation	(19)	(7)	(2)	(4)	(32)
Acquired inventory fair value adjustments	–	(7)	–	–	(7)
Transaction costs	(1)	–	–	–	(1)
Exceptional items	(79)	–	–	–	(79)

1. Operating segments for the 24 weeks ended 3 March 2018

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,674	923	616	804	3,477	(134)	7,360
Internal revenue	(2)	(42)	(2)	(88)	–	134	–
External revenue from continuing businesses	1,672	881	614	716	3,477	–	7,360
Businesses disposed	–	57	1	4	–	–	62
Revenue from external customers	1,672	938	615	720	3,477	–	7,422
Adjusted operating profit before joint ventures and associates	145	104	21	57	341	(29)	639
Share of profit after tax from joint ventures and associates	14	2	3	6	–	–	25
Businesses disposed	–	(16)	–	–	–	–	(16)
Adjusted operating profit	159	90	24	63	341	(29)	648
Profits less losses on disposal of non-current assets	2	–	–	–	–	–	2
Amortisation of non-operating intangibles	(15)	(1)	–	(1)	–	–	(17)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Profits less losses on sale and closure of businesses	–	23	–	–	–	(18)	5
Profit before interest	131	112	24	62	341	(47)	623
Finance income						7	7
Finance expense						(25)	(25)
Other financial expense						(2)	(2)
Taxation						(112)	(112)
Profit for the period	131	112	24	62	341	(179)	491
Segment assets (excluding joint ventures and associates)	2,662	2,298	432	1,401	4,246	90	11,129
Investments in joint ventures and associates	26	26	133	67	–	–	252
Segment assets	2,688	2,324	565	1,468	4,246	90	11,381
Cash and cash equivalents						887	887
Deferred tax assets						149	149
Employee benefits assets						504	504
Segment liabilities	(500)	(398)	(134)	(254)	(1,161)	(230)	(2,677)
Loans and overdrafts						(764)	(764)
Income tax						(138)	(138)
Deferred tax liabilities						(330)	(330)
Employee benefits liabilities						(154)	(154)
Net assets	2,188	1,926	431	1,214	3,085	14	8,858
Non-current asset additions	63	53	11	26	227	2	382
Depreciation	(46)	(45)	(6)	(25)	(110)	(1)	(233)
Amortisation	(21)	(2)	(1)	(2)	(1)	(1)	(28)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,752	2,861	746	1,063	7,422
Segment assets	4,414	4,507	1,032	1,428	11,381
Non-current asset additions	171	159	24	28	382
Depreciation	(90)	(94)	(19)	(30)	(233)
Amortisation	(17)	(6)	(2)	(3)	(28)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)

1. Operating segments for the 52 weeks ended 15 September 2018

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,423	1,821	1,354	1,640	7,477	(279)	15,436
Internal revenue	(3)	(91)	(4)	(181)	–	279	–
External revenue from continuing businesses	3,420	1,730	1,350	1,459	7,477	–	15,436
Businesses disposed	–	128	1	9	–	–	138
Revenue from external customers	3,420	1,858	1,351	1,468	7,477	–	15,574
Adjusted operating profit before joint ventures and associates	306	121	47	129	843	(64)	1,382
Share of profit after tax from joint ventures and associates	29	2	12	14	–	–	57
Businesses disposed	–	(34)	(1)	–	–	–	(35)
Adjusted operating profit	335	89	58	143	843	(64)	1,404
Profits less losses on disposal of non-current assets	4	2	–	–	–	–	6
Amortisation of non-operating intangibles	(36)	–	(1)	(4)	–	–	(41)
Acquired inventory fair value adjustments	(23)	–	–	–	–	–	(23)
Transaction costs	(1)	–	–	(1)	–	–	(2)
Profits less losses on sale and closure of businesses	–	(11)	1	(2)	–	(22)	(34)
Profit before interest	279	80	58	136	843	(86)	1,310
Finance income						15	15
Finance expense						(50)	(50)
Other financial income						4	4
Taxation						(257)	(257)
Profit for the period	279	80	58	136	843	(374)	1,022
Segment assets (excluding joint ventures and associates)	2,702	2,090	414	1,396	4,556	110	11,268
Investments in joint ventures and associates	41	25	134	66	–	–	266
Segment assets	2,743	2,115	548	1,462	4,556	110	11,534
Cash and cash equivalents						1,362	1,362
Current asset investments						30	30
Income tax						54	54
Deferred tax assets						133	133
Employee benefits assets						579	579
Segment liabilities	(530)	(429)	(140)	(275)	(1,382)	(234)	(2,990)
Loans and overdrafts						(778)	(778)
Income tax						(160)	(160)
Deferred tax liabilities						(324)	(324)
Employee benefits liabilities						(144)	(144)
Net assets	2,213	1,686	408	1,187	3,174	628	9,296
Non-current asset additions	148	141	19	63	533	12	916
Depreciation	(99)	(81)	(13)	(49)	(264)	(3)	(509)
Amortisation	(48)	(4)	(1)	(6)	(5)	(1)	(65)
Impairment of property, plant and equipment on sale and closure of businesses	–	(14)	–	–	–	–	(14)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,929	5,913	1,534	2,198	15,574
Segment assets	4,460	4,610	1,079	1,385	11,534
Non-current asset additions	418	375	57	66	916
Depreciation	(204)	(202)	(43)	(60)	(509)
Amortisation	(36)	(17)	(6)	(6)	(65)
Acquired inventory fair value adjustments	–	(23)	–	–	(23)
Impairment of property, plant and equipment on sale and closure of businesses	(14)	–	–	–	(14)
Transaction costs	(1)	–	–	(1)	(2)

2. Exceptional items

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.

Impairment

In the 2018 Annual Report, it was noted that low bread prices and strong continuing competition in the UK bakery market had led to an operating loss at Allied Bakeries and the consequent need for an assessment of impairment. Headroom at that time was £113m on a cash-generating unit (CGU) carrying value of £243m.

In December 2018, subsequent to the publication of the 2018 Annual Report, 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.

As set out in previous annual reports, the board has 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 forthcoming 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 has been included as an exceptional item in the income statement and has been allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

3. Income tax expense

	24 weeks ended 2 March 2019 £m	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
Current tax expense			
UK – corporation tax at 19% (2018 – 19%)	**23**	28	82
Overseas – corporation tax	**87**	78	200
UK – under provided in prior periods	**–**	2	8
Overseas – over provided in prior periods	**(1)**	(4)	(28)
	109	104	262
Deferred tax expense			
UK deferred tax	**4**	2	–
Overseas deferred tax	**4**	7	(19)
UK – under provided in prior periods	**–**	–	15
Overseas – under/(over) provided in prior periods	**1**	(1)	(1)
	9	8	(5)
Total income tax expense in income statement	**118**	112	257
Reconciliation of effective tax rate			
Profit before taxation	**515**	603	1,279
Less share of profit after tax from joint ventures and associates	**(24)**	(24)	(54)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**491**	579	1,225
Nominal tax charge at UK corporation tax rate of 19% (2018 – 19%)	**93**	110	233
Effect of higher and lower tax rates on overseas earnings	**6**	6	29
Effect of changes in tax rates on income statement	**–**	(9)	(16)
Expenses not deductible for tax purposes	**12**	12	33
Disposal of assets covered by tax exemptions or unrecognised capital losses	**1**	(6)	(15)
Deferred tax not recognised	**6**	2	(1)
Adjustments in respect of prior periods	**–**	(3)	(6)
	118	112	257
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	**(30)**	42	53
Deferred tax associated with share-based payments	**–**	–	1
Deferred tax associated with movement in cash flow hedging position	**(8)**	4	12
Deferred tax associated with movements in foreign exchange	**–**	(1)	(1)
Deferred tax associated with hyperinflationary economies	**6**	–	–
	(32)	45	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 concluded that the Group Financing Exemption in the UK's controlled foreign company legislation is not compliant with EU State Aid rules in certain circumstances.

The group may be affected 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. If there are no successful appeals against the decision, the group's maximum potential liability is calculated as some £24m.

We are assessing the impact of the Commission's decision on the tax treatment of the group's financing arrangements. Based on that assessment and the current level of uncertainty, we consider that no provision is currently required. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

4. Earnings per share

	24 weeks ended 2 March 2019 pence	24 weeks ended 3 March 2018 pence	52 weeks ended 15 September 2018 pence
Adjusted earnings per share	**61.1**	61.3	134.9
Disposal of non-current assets	**0.3**	0.3	0.8
Sale and closure of businesses	**(0.9)**	0.6	(4.3)
Acquired inventory fair value adjustments	**(1.0)**	(1.9)	(2.9)
Transaction costs	**(0.1)**	–	(0.3)
Exceptional items	**(10.0)**	–	–
Tax effect on above adjustments	**1.7**	1.1	0.8
Amortisation of non-operating intangibles	**(2.5)**	(2.2)	(5.2)
Tax credit on non-operating intangibles amortisation and goodwill	**0.6**	1.7	3.7
Earnings per ordinary share	**49.2**	60.9	127.5

5. Dividends

	24 weeks ended 2 March 2019 pence	24 weeks ended 3 March 2018 pence	52 weeks ended 15 September 2018 pence
2017 final	–	29.65	29.65
2018 interim	–	–	11.70
2018 final	**33.30**	–	–
	33.30	29.65	41.35

	24 weeks ended 2 March 2019 £m	24 weeks ended 3 March 2018 £m	52 weeks ended 15 September 2018 £m
2017 final	–	234	234
2018 interim	–	–	93
2018 final	**263**	–	–
	263	234	327

The 2018 final dividend of 33.30p per share was approved on 7 December 2018 and totalled £263m when paid on 11 January 2019. The 2019 interim dividend of 12.05p per share, total value of £95m, will be paid on 5 July 2019 to shareholders on the register on 7 June 2019.

6. 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 its Agriculture business acquired a small manufacturer of piglet starter feed in Poland.

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

	Pre-acquisition carrying values £m	Recognised values on acquisition £m
Net assets		
Intangible assets	–	21
Property, plant and equipment	8	8
Inventories	2	2
Trade and other receivables	5	5
Cash and cash equivalents	1	1
Trade and other payables	(5)	(5)
Loans	(3)	(3)
Taxation	–	(6)
Net identifiable assets and liabilities	8	23
Goodwill		23
Total consideration		46

6. Acquisitions and disposals (continued)

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	46
	46
Net cash	
Cash consideration	46
Cash and cash equivalents acquired	(1)
Deferred consideration in respect of previous acquisitions	2
	47

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £21m of non-operating intangible assets in respect of brand and customer relationships, which were recognised together with related deferred tax of £6m.

The cash outflow of £47m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £46m for these acquisitions less cash acquired with the businesses of £1m and £2m payment of deferred consideration in respect of previous acquisitions.

2018

During the first half of 2018 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.

In the year ended 15 September 2018, the group also acquired Holgran, a supplier of malted grains, and Fleming Howden, an Edinburgh-based blender and distributor of bakery ingredients, both as part of the UK Ingredients business. The full year cash outflow of £208m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £218m for acquisitions in the year less cash acquired with the businesses of £11m and £1m payment of deferred consideration in respect of prior year acquisitions.

Disposals

2019

In the first half of 2019 the group disposed of its torula facility and associated torula whole cell business in Hutchinson, Minnesota, reported within the US Ingredients segment. 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.

2018

There were no business disposals in the first half of 2018. In October 2017 the group 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 was recognised in sale and closure of businesses in line with the original transaction in 2015. The group also charged an £18m 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.

During the second half of 2018 £18m of warranty and restructuring provisions relating to disposals made in previous years were no longer required and were released to sale and closure of business. These comprised £17m in Sugar (Asia Pacific) and £1m in Ingredients (Europe & Africa). The group also charged a £6m 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. In October 2018 the group shut down operations at Vivergo, AB Sugar's bioethanol plant in Hull. A charge of £51m was included for this in the year ended 15 September 2018 in the loss on closure of businesses line in the income statement.

7. Analysis of net cash

	At 15 September 2018 £m	Cash flow £m	Acquisitions £m	Non-cash items £m	Exchange adjustments £m	**At 2 March 2019 £m**
Cash at bank and in hand, cash equivalents and overdrafts	1,271	(241)	–	–	1	**1,031**
Current asset investments	30	(3)	–	–	(1)	**26**
Short-term loans	(328)	11	(3)	(4)	3	**(321)**
Long-term loans	(359)	7	–	4	(2)	**(350)**
	614	(226)	(3)	–	1	**386**

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the 52 weeks ended 15 September 2018. There have been no material changes in these relationships in the 24 weeks ended 2 March 2019 or up to the date of this report. No related party transactions have taken place in the first 24 weeks of the current financial year that have materially affected the financial position or the performance of the group during that period.

9. Basis of preparation

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 24 weeks ended 2 March 2019 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in joint ventures and associates.

The consolidated financial statements of the group for the 52 weeks ended 15 September 2018 are available upon request from the Company's registered office at 10 Grosvenor Street, London, W1K 4QY or at www.abf.co.uk.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the 52 weeks ended 15 September 2018.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the 52 weeks ended 15 September 2018.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review. Note 24 on pages 145 to 154 of the 2018 annual report provides details of the group's policy on managing its financial and commodity risks.

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

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

The condensed consolidated interim financial statements are unaudited but have been subject to an independent review by the auditor and were approved by the board of directors on 24 April 2019. They do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the 52 weeks ended 15 September 2018 have been abridged from the group's 2018 financial statements and are not the Company's statutory financial statements for that period. Those financial statements have been reported on by the Company's auditor for that period and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

10. Significant accounting policies

Except where detailed otherwise, the accounting policies applied by the group in these condensed consolidated interim financial statements are substantially the same as those applied by the group in its consolidated financial statements for the 52 weeks ended 15 September 2018 including for derivatives and current biological assets, which are recognised in the balance sheet at fair value and fair value less costs to sell, respectively. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 15 September 2018.

New accounting standards

The following accounting standards and amendments were adopted during the period and had no significant impact on the group other than IFRS 9 *Financial Instruments* and 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 2014 – 2016*

10. Significant accounting policies (continued)

IFRS 9 *Financial Instruments*

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 were previously recorded at amortised cost and this continues 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 which is better aligned with the economic decision-making of the group. This will 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.

In the prior year, the group 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 does not have a significant impact on either the group's results or financial position.

IFRS 9 applies retrospectively to all periods presented, but with substantial transition provisions, 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 these condensed consolidated interim financial statements, without restating comparative information. As expected, the group did not record a transition adjustment in opening retained earnings.

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

In the prior year, the group 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 results 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 £30m 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 these condensed consolidated interim financial statements. IFRS 15 has been adopted retrospectively without the requirement to restate comparative information. IFRS 15 has 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.

Accounting standards not yet applicable

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:

10. Significant accounting policies (continued)

- 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 and IAS 8 *Definition of Material* effective 2021 financial year (not yet endorsed by the EU)
- 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

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.

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 has engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reports regularly to the Audit committee. During the current period, the group made further progress in all project areas, including identification of leases and areas of complexity or judgement, collation of lease data, identification of changes to systems and processes for internal and external reporting, and the development of initial estimates for discount rates.

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.

The group will provide a further update in the 2019 annual report, when indicative details of the impact on opening retained earnings will be provided. The first results published under IFRS 16 will be the 2020 interim results.

Impact on the group's results and financial position

The impact of IFRS 16 on the group's results and financial position is dependent on completion of the work areas described above, and on the facts and circumstances at the time of transition. It will not include restatement of prior periods. For these reasons, it is not yet practicable to determine a reliable estimate of the precise impact on the group, but the impact is expected to be 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 straight line profile of operating lease expenses will be more front-loaded under IFRS 16 because of the interest on the lease liability.

10. Significant accounting policies (continued)

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/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.
Non-current assets	Non-current assets will increase very significantly as the right-of-use assets are recorded alongside property, plant and equipment.
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.
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.

For finance leases where the group is a lessee, the group expects no significant impact.

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* (IAS 29) to its Argentinian operations from the beginning of this 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 non-monetary assets and liabilities from their date of initial recognition to the balance sheet date to reflect the changes in purchasing power of the currency caused by inflation, according to the official indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency.
- The financial statements of the group's Argentinian operations have been translated into sterling at the closing exchange rate at 2 March 2019 (ARS52.46:£1).
- The cumulative impact corresponding to previous years has been reflected in other comprehensive income in the period.

Reflecting the impact of inflation on the components of the income statement and cash flow statement and on net monetary assets and liabilities is immaterial to the group's results.

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

Constant currency

Constant currency figures are derived by translating the prior year results at the 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, applied to local currency data before the application of IAS 29. There are currently two countries where we have operations which are experiencing extreme levels of CPI - Argentina and Venezuela, as described above.

CAUTIONARY STATEMENTS

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

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the principal risks facing the group's businesses at an operational level are included on pages 60 to 64 of the group's statutory financial statements for the 52 weeks ended 15 September 2018, as part of the Strategic report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the Operating Review as appropriate.

RESPONSIBILITY STATEMENT

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

The directors confirm that to the best of their knowledge:

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

On behalf of the board

Michael McLintock	**George Weston**	**John Bason**
Chairman	**Chief Executive**	**Finance Director**

24 April 2019

INDEPENDENT REVIEW REPORT TO ASSOCIATED BRITISH FOODS PLC

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the Interim Results Announcement for the 24 weeks ended 2 March 2019 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the Interim Results Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Results Announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 9, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed consolidated interim financial statements included in this Interim Results Announcement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the Interim Results Announcement for the 24 weeks ended 2 March 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

24 April 2019