

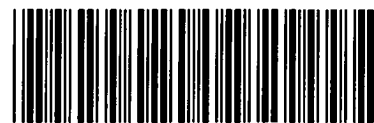
# Wittington Investments Limited

Registered number 00366054

## Strategic Report, Directors' Report and Financial Statements

15 September 2018

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## 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 Group

ABF is a diversified international food, ingredients and retail group with sales of £15.6bn, 137,000 employees and operations in 50 countries across Europe, southern Africa, the Americas, Asia and Australia. Further details can be found in ABF's Annual Report 2018 which can be found at [www.abf.co.uk](http://www.abf.co.uk).

#### *Grocery*

Each of the grocery businesses pursues an independent strategy, appropriate to its particular market position and stage of development. Some are focused on developing brands in their core markets, while others have had considerable success extending their reach into new and emerging 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. Appropriate acquisitions 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 all its locations for the future.

#### *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 into new geographical territories and 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 to create value. 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 no 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, 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.

## Strategic Report (*continued*)

### *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 ahead of last year and adjusted operating profit was well ahead, driven by strong growth in Twinings Ovaltine, improved margin at George Weston Foods in Australia and the first year of contribution from Acetum. However, a very competitive UK bread market and a significant increase in wheat prices have led to lower revenue and margin at Allied Bakeries. Adjusted operating profit was £335m (2017: £303m).

Subsequent to year end an impairment was booked in Allied Bakeries against the carrying value of the property, plant and equipment as detailed in note 30 on page 65.

##### *Sugar*

Reported revenue and adjusted operating profit for ongoing businesses at AB Sugar were substantially lower than the previous year due primarily to lower EU prices which adversely affected the UK and Spanish businesses. The African business, Illovo, had another successful year and continued to be highly profitable. Adjusted operating profit was £123m (2017: £249m).

##### *Agriculture*

AB Agri revenues were well ahead of last year with growth in all businesses and with a consequent increase in operating profit. Adjusted operating profit was £59m (2017: £50m).

##### *Ingredients*

At constant currency, Ingredients' revenues were 6% ahead of last year. Adjusted operating profit was well ahead of last year again, delivering a further increase in margin. AB Mauri delivered another year of sustained growth in both yeast and bakery ingredients, through continued improvements in operational performance. ABF Ingredients delivered an outstanding performance with another year of strong profit growth. Adjusted operating profit was £143m (2017: £126m).

##### *Retail*

Sales at Primark were 6% ahead of last year at actual exchange rates, and 5.2% ahead at constant currency. Operating profit margin increased from 10.4% to 11.3%. Primark performed particularly well in the UK where its share of the total clothing market increased significantly. Adjusted operating profit was £843m (2017: £735m).

## Strategic Report *(continued)*

### **WIL Group**

#### **Luxury Retail**

##### **Fortnum & Mason**

Sales for the 53-week period ended 15 July 2018 grew by 12% to £126m and profit before taxation grew by 26% to £9.6m. The business continues to invest for long-term growth with capital investment in the year of £6.8m whilst driving further improvements to working capital.

##### **Heal's**

Sales grew by 12% in the year, which included a partial impact of new showrooms opened in the year. As a result of the sales growth the underlying operating loss was much reduced and the company showed a profit at the EBITDA level. The business also had to deal with the insolvency of its distribution partner during the year, from which it recovered well. The strategic focus continues to reposition the business as a digitally led home retailer with showrooms.

#### **Hotels**

##### **Grand Hotel, Brighton**

The hotel has had another difficult year as it completed essential repairs to the façade which impacted the best rooms in the hotel with sea views. The project finished just after the financial year-end. Nevertheless, the hotel again delivered a profit for the year, notwithstanding the disruption to trading and the guest experience during this work.

##### **Richmond Hill Hotel**

A further phase of room upgrades, to the historic Georgian parts of the hotel, began during the year. The hotel delivered solid occupancy and room rates and profits for the year were in line with expectations. There will be disruption from the rooms refurbishment programme and substantial upgrades to the bar and restaurant during the current year.

#### **Real Estate**

The profit after tax amounted to £3.8m including an impairment of £10m in respect of the carrying value of some of the retail properties. During the year, the company sold two properties on Ardra Road, London and Station Road, Cheadle Hulme.

#### **Private Markets**

The closed-end funds' portfolio had a solid year overall, although one of the smaller cap funds had some difficulties in its portfolio. Secondaries strategies and some of the buy-and-build strategies in particular continue to deliver attractive returns. Our credit strategy also continues to deliver very satisfactory risk-adjusted performance. In the directly-held private equity portfolio, the London Theatre Company began performances at the new Bridge Theatre.

#### **Other Investments**

Our portfolios of short-dated treasuries and bonds continue to offer an appropriate diversification of risk away from bank balance sheets, even though the financial returns continue at low, albeit increasing, levels.

### **ABF Corporate Responsibility**

As a diversified international food, ingredients and retail group with 137,000 employees and operations in 50 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 2016, with updates last year and this year. 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 2018 ABF Corporate Responsibility Update are available at [www.abf.co.uk/responsibility](http://www.abf.co.uk/responsibility) and at [www.abf.co.uk/modern\\_slavery\\_statement](http://www.abf.co.uk/modern_slavery_statement)

In 2018, ABF's absolute use of energy was 23,200 GWh, which is slightly less than the 23,300 GWh in 2017. The sugar businesses consumed 82% of the group's energy this year. Of this total energy used, 50% came from renewable sources, and 825GWh of energy was exported to the national grid or other organisations, which is a 3% reduction on last year. Overall, the scope 1, 2, and 3 GHG emissions in 2018 were 4.97 million tonnes of carbon dioxide equivalent which is a 2% decrease on the emissions in the previous year. Further details can be found in the ABF 2018 Annual Report at [www.abf.co.uk](http://www.abf.co.uk)

ABF is committed to gender diversity and, across the business overall, the gender split is close to equal with 51% 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 the ABF 2018 Annual Report at [www.abf.co.uk](http://www.abf.co.uk)

## Strategic Report *(continued)*

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 2018 Modern Slavery and Human Trafficking Statement at [www.abf.co.uk/modern\\_slavery\\_statement\\_2018](http://www.abf.co.uk/modern_slavery_statement_2018). Many of the businesses have compiled their own statements, and all published statements can be found at [www.abf.co.uk/responsibility/cr\\_downloads](http://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](http://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](http://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 and inflation; 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

In 2016, the UK's decision to leave the European Union was identified as having had some immediate impact on ABF's results as a consequence of the effect on currency markets. As the UK government continues its negotiations, uncertainty remains as to the extent to which ABF's operations and financial performance will be affected in the longer term. Both at a group and individual business level, ABF continues to prepare for changes in legislation, trade agreements, and working practices in order to take advantage of the changing commercial landscape and to mitigate risk. ABF has contributed to government led consultations on the potential changes and their likely impact on businesses and markets to help inform the exit strategy.



Guy Weston  
Chairman

Company Number 00366054

24 April 2019  
Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

## Directors' Report

The directors present their annual report and audited financial statements for the 52 weeks ended 15 September 2018, in accordance with section 415 of the Companies Act 2006. The Board considers that the Company's Annual Report and Accounts 2018, 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 £998m (2017: £1,248m) and dividends to £92m (2017: £84m). Dividends are detailed in note 8. A dividend of £68.50 per share (£59m) was paid after the year-end on 15 January 2019 to shareholders on the register on 5 December 2018. This dividend was therefore not included in the results for the year. Profit for the financial period attributable to equity shareholders amounted to £549m (2017: £689m).

### Directors

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

Guy Weston (Chairman)  
Emma Adamo  
Sir Harry Djanogly  
Stephen Hancock (Deceased 11 February 2018)  
Martin Hattrell (Appointed 30 July 2018)  
Anna Catrina Hobhouse  
Charles Mason  
W. Galen Weston  
G. Grainger Weston  
George Weston  
Garth Weston

The Company Secretary throughout the year was Amanda Geday.

We were deeply saddened by the sudden passing of Stephen Hancock in February. Stephen was much valued. He has been the wisest advisor and guide to the board and will always be remembered for his tenacity, his creativity in solving problems and his wise and pragmatic advice.

### Directors' Indemnities

Three directors of operating subsidiaries benefited from qualifying third-party indemnity provisions provided by the ABF Investments plc during the financial year and at the date of the report. One director within the ABF group benefited from a qualifying pension scheme indemnity provision during the financial year and at the dates of this 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 this report.

### 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.

*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.

## Directors' Report *(continued)*

*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.

### Subsequent events

Since the year end, ABF, a Wittington subsidiary, declared an interim dividend on 24 April 2019 of 12.05 pence per share.

On 17 September 2018, the group completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia for cash consideration of A\$75m.

On 26 October 2018, the High Court of Justice of England and Wales ruled that the Guaranteed Minimum Pension must be equalised in respect of retirement ages for men and women for all service after 17 May 1990. The group estimates the increase in liabilities at £13.5m which will be recognised in the income statement in the 2019 financial year.

In December 2018, Allied Bakeries, an ABF subsidiary, received notice of the termination of its largest private label manufacturing contract. ABF concluded that an impairment charge of £65m is required against property, plant and equipment in the 2018 financial year.

Subsequent events are described in more detail in note 30 on page 65.

### Political Donations

The Company did not make any political donations in the year.

### 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 18 on page 40.

### 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 15 September 2018, 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 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

Company Number 00366054

24 April 2019  
Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

## **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 15 September 2018 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 9 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 15 September 2018 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.

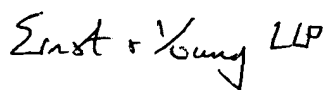
## **Auditor's responsibilities for the audit of the financial statements**

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  
24 April 2019

**Consolidated income statement**  
*for the 52 weeks ended 15 September 2018*

	Note	Total 2018 £m	Total 2017 £m
<b>Continuing operations</b>			
Revenue	5	15,771	15,526
Operating costs	3	(14,547)	(14,250)
		<u>1,224</u>	<u>1,276</u>
Share of profit after tax from joint ventures and associates	13	54	63
Profits less losses on disposal of non-current assets		18	11
		<u>1,296</u>	<u>1,350</u>
<b>Operating profit</b>		<b>1,296</b>	<b>1,350</b>
Adjusted operating profit		1,409	1,372
Profits less losses on disposal of non-current assets		18	11
Amortisation of non-operating intangibles	9	(41)	(28)
Impairment of property, plant & equipment	10	(65)	-
Acquired inventory fair value adjustments	3	(23)	-
Transaction costs	3	(2)	(5)
Profit less losses on sale and closure of businesses	23	(34)	293
		<u>1,262</u>	<u>1,643</u>
<b>Profit before interest</b>		<b>1,262</b>	<b>1,643</b>
Financial income	6	43	47
Financial expense	6	(57)	(62)
Other financial income/(expense)	6	4	(3)
		<u>1,252</u>	<u>1,625</u>
<b>Profit before taxation</b>		<b>1,252</b>	<b>1,625</b>
Adjusted profit before taxation		1,399	1,354
Profits less losses on disposal of non-current assets		18	11
Amortisation of non-operating intangibles	9	(41)	(28)
Impairment of property, plant & equipment	10	(65)	-
Acquired inventory fair value adjustments	3	(23)	-
Transaction costs	3	(2)	(5)
Profits less losses on sale and closure of businesses	23	(34)	293
Taxation – UK		(102)	(74)
Taxation – Overseas		(152)	(303)
	7	<u>(254)</u>	<u>(377)</u>
<b>Profit for the period</b>		<b>998</b>	<b>1,248</b>
<b>Attributable to:</b>			
Equity holders of the parent		549	689
Non-controlling interests		449	559
		<u>998</u>	<u>1,248</u>
<b>Profit for the period</b>		<b>998</b>	<b>1,248</b>

**Consolidated statement of comprehensive income**  
*for the 52 weeks ended 15 September 2018*

	2018	2017
	£m	£m
<b>Profit for the period recognised in the income statement</b>	<b>998</b>	<b>1,248</b>
<b>Other comprehensive income</b>		
Remeasurements of defined benefit schemes	310	438
Deferred tax associated with defined benefit schemes	(53)	(77)
	<hr/>	<hr/>
Items that will not be reclassified to profit or loss	257	361
Effect of movements in foreign exchange	(85)	61
Net loss on hedge of net investment in foreign subsidiaries	(10)	(9)
Deferred tax associated with movements in foreign exchange	1	(2)
Current tax associated with movements in foreign exchange	-	(1)
Reclassification adjustments for movements in foreign exchange on subsidiaries disposed	-	(28)
Movement of cash flow hedging position	55	(8)
Deferred tax associated with movement in cash flow hedging position	(12)	-
	<hr/>	<hr/>
Items that are or may be subsequently reclassified to profit or loss	(51)	13
	<hr/>	<hr/>
<b>Other comprehensive income for the period</b>	<b>206</b>	<b>374</b>
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>1,204</b>	<b>1,622</b>
	<hr/>	<hr/>
<b>Attributable to:</b>		
Equity shareholders	662	893
Non-controlling interest	542	729
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>1,204</b>	<b>1,622</b>
	<hr/>	<hr/>

**Consolidated balance sheet**  
*at 15 September 2018*

	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<b>£m</b>	<b>£m</b>
<b>Non-current assets</b>			
Intangible assets	9	1,640	1,420
Property, plant and equipment	10	5,807	5,596
Investment property	12	182	209
Investments in joint ventures	13	225	219
Investments in associates	13	61	58
Employee benefits assets	14	579	285
Deferred tax assets	15	133	143
Other receivables	16	60	54
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>8,687</b>	<b>7,984</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	17	2,200	2,113
Biological assets	11	84	90
Trade and other receivables	16	1,457	1,366
Derivative assets	18	132	79
Income tax		54	28
Other financial assets	18	832	793
Cash and cash equivalents	19	1,812	1,877
		<hr/>	<hr/>
<b>Total current assets</b>		<b>6,571</b>	<b>6,346</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>15,258</b>	<b>14,330</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Loans and overdrafts	20	(421)	(271)
Trade and other payables	21	(2,573)	(2,539)
Derivative liabilities	18	(52)	(113)
Income tax		(160)	(170)
Provisions	22	(88)	(105)
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>(3,294)</b>	<b>(3,198)</b>
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Loans	20	(401)	(660)
Other payables	21	(269)	(216)
Provisions	22	(52)	(27)
Deferred tax liabilities	15	(321)	(238)
Employee benefits liabilities	14	(144)	(160)
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>(1,187)</b>	<b>(1,301)</b>
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(4,481)</b>	<b>(4,499)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>10,777</b>	<b>9,831</b>
		<hr/>	<hr/>

**Consolidated balance sheet (*continued*)**  
**at 15 September 2018**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Equity</b>		
Issued capital	1	1
Share premium	382	382
Other reserves	52	52
Translation reserve	207	259
Hedging reserve	8	(17)
Retained earnings	5,877	5,289
	<hr/>	<hr/>
<b>Total equity attributable to equity shareholders</b>	<b>6,527</b>	<b>5,966</b>
<b>Non-controlling interest</b>	<b>4,250</b>	<b>3,865</b>
	<hr/>	<hr/>
<b>Total equity</b>	<b>10,777</b>	<b>9,831</b>
	<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 24 April 2019 and were signed on its behalf by:



**Guy Weston**  
*Director*

**Company Number 00366054**



## Consolidated cash flow statement for period ended 15 September 2018

		2018	2017
	Note	£m	£m
<b>Cash flows from operating activities</b>			
Profit before taxation		1,252	1,625
Profits less losses on disposal of non-current assets		(18)	(11)
Profits less losses on sale and closure of businesses	23	34	(293)
Financial income		(43)	(47)
Financial expense		57	62
Other financial expense/(income)		(4)	3
Share of profit after tax from joint ventures and associates	13	(54)	(63)
Amortisation	9	67	59
Depreciation	10	516	522
Impairment of property, plant & equipment	10	65	-
Transaction costs		2	3
Acquired inventory fair value adjustments		23	-
Net change in the fair value of current biological assets		5	-
Share-based payment expense		19	21
Impairment of investment properties		10	-
Pension cost less contributions		3	12
Increase in inventories		(35)	(44)
Increase in receivables		(107)	(7)
(Decrease)/increase in payables		(13)	172
Purchase less sales of current biological assets		(1)	(2)
Decrease in provisions		(30)	(1)
<b>Cash generated from the operations</b>		<b>1,748</b>	<b>2,011</b>
Income taxes paid		(306)	(365)
<b>Net cash from operating activities</b>		<b>1,442</b>	<b>1,646</b>
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures and associates		45	80
Purchase of property, plant & equipment		(794)	(832)
Purchase of intangibles		(85)	(46)
Sale of property, plant & equipment		23	49
Purchase of investment properties		(8)	(29)
Purchase of subsidiaries, joint ventures and associates		(208)	(79)
Sale of subsidiaries, joint ventures and associates		1	452
Sale of investment properties		39	22
Sale of other financial assets		-	5
Interest and dividends received		17	11
<b>Net cash from investing activities</b>		<b>(970)</b>	<b>(367)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests		(153)	(138)
Dividends paid to equity shareholders		(92)	(84)
Interest paid		(51)	(60)
Increase in other current asset investments		(24)	3
Increase/(decrease) in short-term loans		(115)	9
Increase in long-term loans		13	37
Sale of shares in subsidiary undertakings from non-controlling interests		1	-
Purchase of shares in subsidiary undertakings from non-controlling interests		(1)	(3)
Movement in shares held by ABF		(30)	(10)
<b>Net cash from financing activities</b>		<b>(452)</b>	<b>(246)</b>
<b>Net increase in cash and cash equivalents</b>		<b>20</b>	<b>1,033</b>
Cash and cash equivalents at the beginning of the period		1,713	695
Effect of movements in foreign exchange		(12)	(15)
<b>Cash and cash equivalents at the end of the period</b>	19	<b>1,721</b>	<b>1,713</b>

# Consolidated statement of changes in equity for the 52 weeks ended 15 September 2018

	Issued capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance as at 17 September 2016</b>	<b>1</b>	<b>382</b>	<b>52</b>	<b>246</b>	<b>(12)</b>	<b>4,482</b>	<b>5,151</b>	<b>3,272</b>	<b>8,423</b>
<b>Total comprehensive income</b>									
Profit for the period recognised in the income statement	-	-	-	-	-	689	689	559	1,248
Remeasurements of defined benefit schemes	-	-	-	-	-	239	239	199	438
Deferred tax associated with defined benefit schemes	-	-	-	-	-	(43)	(43)	(34)	(77)
Items that will not be reclassified to profit or loss	-	-	-	-	-	196	196	165	361
Effect of movements in foreign exchange	-	-	-	35	-	-	35	26	61
Net loss on hedge of net investment in foreign subsidiaries	-	-	-	(5)	-	-	(5)	(4)	(9)
Deferred tax associated with movements in foreign exchange	-	-	-	(1)	-	-	(1)	(1)	(2)
Current tax associated with movements in foreign exchange	-	-	-	(1)	-	-	(1)	0	(1)
Movement in cash flow hedging position	-	-	-	-	(5)	-	(5)	(3)	(8)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	-	-	-	(15)	-	-	(15)	(13)	(28)
Items that are or may be subsequently reclassified to profit or loss	-	-	-	13	(5)	-	8	5	13
Other comprehensive income	-	-	-	13	(5)	196	204	170	374
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(5)</b>	<b>885</b>	<b>893</b>	<b>729</b>	<b>1,622</b>
<b>Transactions with owners</b>									
Dividends paid to equity shareholders	-	-	-	-	-	(84)	(84)	-	(84)
Net movement in own shares held	-	-	-	-	-	6	6	5	11
Deferred tax associated with share-based payments	-	-	-	-	-	1	1	-	1
Current tax associated with share-based payments	-	-	-	-	-	(1)	(1)	-	(1)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(138)	(138)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78)</b>	<b>(78)</b>	<b>(136)</b>	<b>(214)</b>
<b>Balance as at 16 September 2017</b>	<b>1</b>	<b>382</b>	<b>52</b>	<b>259</b>	<b>(17)</b>	<b>5,289</b>	<b>5,966</b>	<b>3,865</b>	<b>9,831</b>
<b>Total comprehensive income</b>									
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
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>25</b>	<b>689</b>	<b>662</b>	<b>542</b>	<b>1,204</b>
<b>Transactions with owners</b>									
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
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(101)</b>	<b>(101)</b>	<b>(157)</b>	<b>(258)</b>
<b>Balance as at 15 September 2018</b>	<b>1</b>	<b>382</b>	<b>52</b>	<b>207</b>	<b>8</b>	<b>5,877</b>	<b>6,527</b>	<b>4,250</b>	<b>10,777</b>

## Notes (forming part of the financial statements)

### 1 Accounting policies

Wittington Investments Limited (the "Company") is a company incorporated in the UK.

The consolidated financial statements for the 52 weeks ended 15 September 2018 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 15 September 2018 (2017: 52 weeks ended 16 September 2017). 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 15 July 2018. Adjustments are made as appropriate for significant transactions or events occurring between 15 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. 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 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.

#### **Constant currency**

Constant currency is derived by translating the prior year results at current year weighted average exchange rates.

#### **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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 financial liabilities, except for other non-current investments and derivatives, are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortised cost. Other non-current investments (classified under other non-current other receivables) comprise available-for-sale investments measured at market prices where available. Where quoted market prices in an active market are not available, and where fair value cannot be reliably measured, unquoted equity instruments are measured at cost less impairment.

#### *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*

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.

## Notes (continued)

### 1 Accounting policies (continued)

Changes in the value of derivatives used as hedges of future cash flows are recognised through other comprehensive income in the hedging reserve, with any ineffective portion recognised immediately in the income statement.

When the future cash flow results in the recognition of a non-financial asset or liability, the gains and losses previously recognised in the hedging reserve are included in the initial measurement of that asset or liability. Otherwise gains and losses previously recognised in the hedging reserve are recognised in the income statement at the same time as the hedged transaction.

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 directly to the income statement.

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

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 'held for trading' 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

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.

#### *Investments in debt and equity securities*

Equity financial instruments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### New accounting policies

The following new accounting standards were adopted in the year, none of which resulted in a significant impact to the current or prior years:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 *Disclosures Initiative*
- Annual Improvements to IFRS Standards 2014 – 2016

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 9 *Financial Instruments: Classification and Measurement* effective 2019 financial year
- IFRS 15 *Revenue from Contracts with Customers* effective 2019 financial year
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* effective 2019 financial year
- IFRS 16 *Leases* effective 2020 financial year
- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* effective 2019 financial year
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 2020 financial year (endorsed by the EU October 2018)
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* effective 2019 financial year
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year (published October 2018, not yet endorsed by the EU)
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* effective 2019 financial year
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 2020 financial year
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* effective 2020 financial year (not yet endorsed by the EU)
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 2020 financial year (not yet endorsed by the EU)
- 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 2014 – 2016* effective 2019 financial year
- *Annual Improvements to IFRS Standards 2015 – 2017* effective 2020 financial year (not yet endorsed by the EU)

The three new standards with the most significant potential effect on the group's financial statements are: IFRS 9, IFRS 15 and IFRS 16, further details of which are set out below. The impact of other standards effective in 2019 and beyond have not yet been fully assessed.

#### 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.



## Notes (continued)

### 1 Accounting policies (continued)

#### **IFRS 9 Financial Instruments: Classification and Measurement (continued)**

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.

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 will adopt IFRS 9 on 16 September 2018 and apply it for the first time in the 2019 financial year, without restating comparative information. The group does not expect to record a significant transition 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 3 | Allocate the transaction price to the performance obligations in the contract |
| Step 4 | 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 £30m of operating expenses which under IFRS 15 will be deducted from revenue.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 performed a detailed groupwide impact assessment which identified that most existing operating lease arrangements meet the revised definition of a lease.

The group has made progress in a number of 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.

ABF will provide a further update in the 2019 interim results and 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 straightline profile of operating lease expenses will be more front-loaded under IFRS 16 because of the interest on the lease liability.

## Notes (continued)

### 1 Accounting policies (continued)

#### IFRS 16 Leases (continued)

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

<b>Earnings</b>	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.
<b>Operating profit/ operating margin</b>	Operating profit and operating margin are expected to increase significantly as operating lease expenses are replaced by depreciation of right-of-use assets.
<b>Finance expense</b>	Finance expense is expected to increase significantly as a result of the interest cost on lease liabilities. Interest cover will therefore reduce.
<b>Taxation</b>	Taxation will change in line with the changes in profit before tax.
<b>Non-current assets</b>	Non-current assets will increase very significantly as the right-of-use assets are recorded alongside property, plant and equipment.
<b>Net debt</b>	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.
<b>Return on capital employed</b>	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.
<b>Cash flow statement</b>	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.

The group's current leasing disclosures are given in note 26 of this annual report.

### 2. Accounting estimates and judgements

In applying the accounting policies detailed on pages 17 to 25, 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 £435m being recognised as at 15 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.

#### 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.

## Notes (continued)

### 2. Accounting estimates and judgements (continued)

#### 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.

### 3 Operating costs and gross profit

	Notes	2018 £m	2017 £m
<b>Operating costs</b>			
Costs of sales (including amortisation of intangibles)		12,156	11,834
Distribution costs		1,363	1,392
Administration expenses		1,028	1,024
		<b>14,547</b>	<b>14,250</b>
<b>Operating costs are stated after charging/(crediting):</b>			
Employee benefits expense	4	2,712	2,585
Amortisation of non-operating intangibles	9	38	25
Amortisation of operating intangibles	9	29	34
Acquired inventory fair value adjustments		23	-
Profits less losses on disposal of non-current assets		(6)	(6)
Profits on disposal of investment property		(12)	(5)
Impairment of property, plant & equipment	10	65	-
Depreciation of owned property, plant & equipment	10	516	522
Transaction costs		2	3
Operating lease payments under property leases		299	261
Operating lease payments for hire of plant & equipment		15	16
Other operating income		(18)	(21)
Research and development expenditure		26	37
Fair value gains on financial assets and liabilities held for trading		(29)	(7)
Fair value losses on financial assets and liabilities held for trading		17	18
Foreign exchange gains on operating activities		(45)	(62)
Foreign exchange losses on operating activities		57	70

Transactional costs of £2m and amortisation of non-operating intangibles of £41m (2017: £5m and £28m) shown as adjusting items in the income statement, include £nil and £3m respectively (2017 - £2m and £3m respectively) incurred by joint ventures, in addition to the amounts shown above.

	2018 £m	2017 £m
<b>Auditor's remuneration</b>		
<b>Fees payable to the Company's auditor and its associates in respect of the audit</b>		
Group audit of these financial statements	-	-
Audit of the Company's subsidiaries pursuant to legislation	7.8	6.4
<b>Total audit remuneration</b>	<b>7.8</b>	<b>6.4</b>
<b>Fees payable to the Company's auditor and its associates in respect of non-audit related services</b>		
Audit-related assurance services	0.4	0.3
Tax compliance services	-	-
Tax advisory services	-	-
All other services	0.2	0.2
<b>Total non-audit relate remuneration</b>	<b>0.6</b>	<b>0.5</b>

## Notes (continued)

### 4 Employees and Directors

	2018	2017
<i>Average number of employees</i>		
United Kingdom	50,085	47,622
Europe & Africa	70,074	67,081
The Americas	5,686	5,694
Asia Pacific	12,542	13,516
	<b>138,387</b>	<b>133,913</b>

	£m	£m
<i>Employee benefits expense</i>		
Wages and salaries	2,282	2,172
Social security contributions	290	264
Contributions to defined contribution schemes	14	78
Charge for defined benefit schemes	14	43
Equity-settled share-based payment schemes	19	21
	<b>2,712</b>	<b>2,585</b>

### Directors' remuneration

	2018 £000	2017 £000
Aggregate directors' emoluments	4,732	5,657
Pension to former directors and widows of former directors	210	210
	<b>4,942</b>	<b>5,867</b>

The aggregate emoluments of the highest paid director were £3,826,000 (2017 - £4,855,000). He is a member of a group pension scheme and his annual accrued pension at the period end was £247,000 (2017 - £609,000).

While the nature of pension benefits has not changed during the year, the pensions number for remuneration purposes has reduced. This year's amount is lower than last year due to an increase in the Consumer Prices Index to 3% at the start of this year from 1% at the start of last year. This increase in inflation reduces the year-on-year impact of changes in accrued pension benefits.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	4	4

### 5 Revenue information

	2018 £m	2017 £m
<i>Operating segments</i>		
Grocery	3,420	3,434
Sugar	1,858	2,174
Agriculture	1,351	1,203
Ingredients	1,468	1,493
Retail	7,477	7,053
Total ABF Group	<b>15,574</b>	<b>15,357</b>
Other retail	156	140
Other (Real Estate, Hotels, Private Equity and Other Investments)	41	29
	<b>15,771</b>	<b>15,526</b>
<i>Geographical information</i>		
United Kingdom	6,121	5,866
Europe, Middle East & Africa	5,913	5,866
The Americas	1,535	1,592
Asia Pacific	2,202	2,202
	<b>15,771</b>	<b>15,526</b>

## Notes (continued)

### 6 Interest and other financial income and expense

	2018	2017
	£m	£m
<b>Finance income</b>		
Cash and cash equivalents	19	13
Fair value gain on other financial assets	21	31
Dividends receivable	3	3
	43	47
<b>Finance expense</b>		
Bank loans and overdrafts	28	30
All other borrowings	21	27
Fair value loss on other financial assets	6	2
Finance leases	1	1
Other payables	1	2
	57	62
<b>Other financial income/(expense)</b>		
Interest income on employee benefit scheme assets	14	107
Interest charge on employee benefit scheme liabilities	14	(103)
Interest charge on irrecoverable surplus	14	(1)
Net financial income in respect of employee benefit schemes	3	(6)
Net foreign exchange losses on financing activities	1	3
<b>Total other financial income/(expense)</b>	4	(3)

### 7 Income tax expense

	2018	2017
	£m	£m
<b>Current tax expense</b>		
UK – corporation tax at 19.00% (2017: 19.54%)	91	87
Overseas – corporation tax	200	297
UK – (over)/under provided in prior periods	6	(11)
Overseas – over-provided in prior periods	(28)	(9)
<b>Total current tax expense</b>	269	364
<b>Deferred tax expense</b>		
UK deferred tax	(10)	(4)
Overseas deferred tax	(19)	17
UK – under/(over) provided in prior years	15	2
Overseas – (over) provided in prior years	(1)	(2)
<b>Total income tax expense in income statement</b>	(15)	377
<b>Reconciliation of effective tax rate</b>		
Profit before taxation	1,252	1,625
Less share of profit from joint ventures and associates	(54)	(63)
<b>Profit before taxation excluding share of profit from joint ventures and associates</b>	1,198	1,562
Nominal tax charge at UK corporation tax rate of 19.00% (2017: 19.54%)	228	305
Effect of higher and lower tax rates on overseas earnings	29	39
Effect of changes in tax rates on income statement	(16)	-
Expenses not deductible for tax purposes	84	56
Disposal of assets covered by tax exemptions or unrecognised capital losses	(15)	8
Deferred tax not recognised	(1)	18
Adjustments in respect of prior periods	(7)	(20)
Other tax adjustments	(46)	(29)
	254	377

## Notes (continued)

### 7 Income tax expense (continued)

	2018 £m	2017 £m
<i>Income tax recognised directly in equity</i>		
<i>Deferred tax associated with defined benefit schemes</i>	53	77
<i>Deferred tax associated with share-based payments</i>	1	(1)
<i>Current tax associated with share-based payments</i>	-	1
<i>Deferred tax associated with movements in cash flow hedging position</i>	12	-
<i>Deferred tax associated with movements in foreign exchange</i>	(1)	2
<i>Current tax associated with movements in foreign exchange</i>	-	1
	<u>65</u>	<u>80</u>

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction 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 October 2017 the European Commission published its preliminary findings on the Group Financing Exemption in the UK's controlled foreign company legislation. The Commission has expressed doubts as to whether the exemption is compliant with EU State Aid rules. The group may be affected by the final outcome of the Commission's review, as will other UK-based multinational groups that have financing arrangements in line with the UK's current legislation. We have calculated our maximum potential liability to be some £22m if the European Commission's review concludes that the Group Financing Exemption represents unlawful state aid and there are no successful appeals against the position. Having analysed the exemption in the context of both the broader UK corporate tax system and the specific controlled foreign company rules, we consider that no provision is required at this time. We will continue to consider this position as the Commission's review develops.

Deferred taxation balances are analysed in note 15.

### 8 Dividends

	2018 £	2017 £
<i>Per share</i>		
<i>First interim</i>	62	55
<i>Second interim</i>	45	42
	<u>107</u>	<u>97</u>
	£m	£m
<i>Total</i>		
<i>First interim</i>	53	48
<i>Second interim</i>	39	36
	<u>92</u>	<u>84</u>

An interim dividend of £68.50 per share (£59m) was paid after the year-end on 15 January 2019 to shareholders on the register on 5 December 2018.

## Notes (continued)

### 9 Intangible assets

	Non-operating					Operating		
	Goodwill	Technology	Brands	Customer relationships	Grower Agreements	Other	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
<i>At 17 September 2016</i>	<i>1,137</i>	<i>208</i>	<i>384</i>	<i>109</i>	<i>118</i>	<i>6</i>	<i>310</i>	<i>2,272</i>
<i>Acquisitions – externally purchased</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>53</i>	<i>53</i>
<i>Acquired through business combinations</i>	<i>19</i>	<i>-</i>	<i>4</i>	<i>46</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>69</i>
<i>Disposal of businesses</i>	<i>(5)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(5)</i>
<i>Other disposals</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(12)</i>	<i>(12)</i>
<i>Effect of movements in foreign exchange</i>	<i>9</i>	<i>1</i>	<i>-</i>	<i>1</i>	<i>6</i>	<i>-</i>	<i>3</i>	<i>20</i>
<i>At 16 September 2017</i>	<i>1,160</i>	<i>209</i>	<i>388</i>	<i>156</i>	<i>124</i>	<i>6</i>	<i>354</i>	<i>2,397</i>
<i>Acquisitions – externally purchased</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>101</i>	<i>101</i>
<i>Acquired through business combinations</i>	<i>100</i>	<i>-</i>	<i>5</i>	<i>100</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>205</i>
<i>Disposal of businesses</i>	<i>(2)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(2)</i>
<i>Other disposals</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(9)</i>	<i>(9)</i>
<i>Effect of movements in foreign exchange</i>	<i>(19)</i>	<i>(5)</i>	<i>-</i>	<i>4</i>	<i>(10)</i>	<i>-</i>	<i>(4)</i>	<i>(34)</i>
<i>At 15 September 2018</i>	<i>1,239</i>	<i>204</i>	<i>393</i>	<i>260</i>	<i>114</i>	<i>6</i>	<i>442</i>	<i>2,658</i>
<b>Amortisation</b>								
<i>At 17 September 2016</i>	<i>35</i>	<i>208</i>	<i>278</i>	<i>101</i>	<i>118</i>	<i>6</i>	<i>173</i>	<i>919</i>
<i>Amortisation for the year</i>	<i>-</i>	<i>-</i>	<i>19</i>	<i>6</i>	<i>-</i>	<i>-</i>	<i>34</i>	<i>59</i>
<i>Disposal of businesses</i>	<i>(5)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(5)</i>
<i>Other disposals</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(5)</i>	<i>(5)</i>
<i>Effect of movements in foreign exchange</i>	<i>(1)</i>	<i>1</i>	<i>-</i>	<i>3</i>	<i>6</i>	<i>-</i>	<i>-</i>	<i>9</i>
<i>At 16 September 2017</i>	<i>29</i>	<i>209</i>	<i>297</i>	<i>110</i>	<i>124</i>	<i>6</i>	<i>202</i>	<i>977</i>
<i>Amortisation for the year</i>	<i>-</i>	<i>-</i>	<i>19</i>	<i>19</i>	<i>-</i>	<i>-</i>	<i>29</i>	<i>67</i>
<i>Other disposals</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(4)</i>	<i>(4)</i>
<i>Effect of movements in foreign exchange</i>	<i>-</i>	<i>(5)</i>	<i>-</i>	<i>(3)</i>	<i>(10)</i>	<i>-</i>	<i>(4)</i>	<i>(22)</i>
<i>At 15 September 2018</i>	<i>29</i>	<i>204</i>	<i>316</i>	<i>126</i>	<i>114</i>	<i>6</i>	<i>223</i>	<i>1,018</i>
<b>Net book value</b>								
<i>At 17 September 2016</i>	<i>1,102</i>	<i>-</i>	<i>106</i>	<i>8</i>	<i>-</i>	<i>-</i>	<i>137</i>	<i>1,353</i>
<i>At 16 September 2017</i>	<i>1,131</i>	<i>-</i>	<i>91</i>	<i>46</i>	<i>-</i>	<i>-</i>	<i>152</i>	<i>1,420</i>
<i>At 15 September 2018</i>	<i>1,210</i>	<i>-</i>	<i>77</i>	<i>134</i>	<i>-</i>	<i>-</i>	<i>219</i>	<i>1,640</i>

Amortisation of non-operating intangibles of £41m (2017: £28m) shown as an adjusting item in the income statement includes £3m (2017: £3m) incurred by joint ventures in addition to the amounts shown below.



## Notes (continued)

### 9 Intangible assets (continued)

#### Impairment

As at 15 September 2018, the consolidated balance sheet included goodwill of £1,210m (2017: £1,131m). 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:

CGU or group of CGUs	Primary reporting segments	Discount rate	2018 £m	2017 £m
Acetum	Grocery	n/a	94	-
ACH	Grocery	12.9%	177	170
AB Mauri	Ingredients	13.5%	320	330
Twinings Ovaltine	Grocery	11.5%	119	119
Capullo	Grocery	14.9%	48	49
Illovo	Sugar	20.1%	110	120
AB World Foods	Grocery	11.6%	78	78
Other (not individually significant)	Various	Various	264	265
			<b>1,210</b>	<b>1,131</b>

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 9.7% and 18.7% (2017: between 10.2% and 20.1%).

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 4%, consistent with the inflation factors included in the discount rates applied (2017: 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 significant headroom under the annual impairment review.

Structural changes to the EU sugar regime in October 2017, which removed sales quotas, combined with a reduction in the world sugar price during the year have created challenging trading conditions for Azucarera (included within 'Other' in table above). Accordingly, management has 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 assumptions included the recovery of sugar prices in the long term, cost reduction and the discount rate. Headroom was €68m on a CGU carrying value of €360m. The discount rate used was 12% and would have to increase to 14% before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2% per annum. A sensitivity of plus or minus 1% applied to sugar and beet prices impacts headroom by plus or minus 16%.

Notwithstanding a further substantial improvement in profit in the current year, AB Mauri continued 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 ten years to reflect the time required for completion of the business plan were prepared and management concluded that the assets are 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 the continuing growth in the global bakery ingredients business. Headroom was \$400m on a CGU carrying value of \$954m (2017: headroom of \$340m on a CGU

## Notes (continued)

### 9 Intangible assets (continued)

carrying value of \$954m). 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 13.2% (2017: 13.5%) and would have to increase to more than 17.0% (2017: 19.0%) before the value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2% to 3% (2017: - 2% -3%) per annum dependent on the location.

### 10 Property, plant & equipment

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Assets under construction</i>	<i>Sugar cane roots</i>	<i>Total</i>
<i>Cost</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>At 17 September 2016</i>	2,529	3,545	2,708	204	60	9,046
<i>Acquisitions- externally purchased</i>	119	85	395	214	12	825
<i>Acquired through business combinations</i>	6	3	-	-	-	9
<i>Other disposals</i>	(45)	(36)	(126)	-	(8)	(215)
<i>Transfers from assets under construction</i>	23	153	26	(202)	-	-
<i>Effect of movements in foreign exchange</i>	25	27	36	3	-	91
<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>Depreciation and impairment</i>						
<i>At 17 September 2016</i>	575	2,070	1,105	-	26	3,776
<i>Depreciation for the period</i>	53	218	244	-	7	522
<i>Impairment on disposal of business</i>	2	-	-	-	-	2
<i>Other disposals</i>	(17)	(40)	(108)	-	(8)	(173)
<i>Effect of movements in foreign exchange</i>	5	15	13	-	-	33
<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>Net book value at 17 September 2016</i>	1,954	1,475	1,603	204	34	5,270
<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>2018</i>	<i>2017</i>
	<i>£m</i>	<i>£m</i>
<i>Net book value of finance lease assets</i>	12	12
<i>Land and buildings at net book value comprise:</i>		
- Freehold	1,693	1,542
- Long leasehold	359	318
- Short leasehold	75	79
	2,127	1,939
<i>Capital expenditure commitments – contracted but not provided for</i>	625	583

#### 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.

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\$41m on a CGU carrying value of A\$248m (2017 – headroom of A\$38m on a CGU carrying value of A\$270m). The discount rate used was 11.1% (2017 – 10.5%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2017: 2.0%) per annum. A sensitivity of plus or minus 1% applied to discount rate impacts headroom by plus or minus A\$31m.

## Notes (continued)

### 10 Property, plant & equipment (continued)

In ABF's 2018 Annual Report, it was noted that low bread prices and strong continuing competition in the UK bakery sector 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 ABF's 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. This notice is considered to be an adjusting subsequent event and, as such, the group considered its impact on the carrying value of Allied Bakeries in these financial statements.

The ABF 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.

### 11 Biological assets

	<i>Growing cane</i>	<i>Current Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>At 17 September 2016</i>	<i>78</i>	<i>8</i>	<i>86</i>
<i>Transferred to inventory</i>	<i>(104)</i>	<i>(14)</i>	<i>(118)</i>
<i>Purchases</i>	<i>-</i>	<i>2</i>	<i>2</i>
<i>Changes in fair value</i>	<i>101</i>	<i>17</i>	<i>118</i>
<i>Effect of movements in foreign exchange</i>	<i>2</i>	<i>-</i>	<i>2</i>
<i>At 16 September 2017</i>	<i>77</i>	<i>13</i>	<i>90</i>
<i>Transferred to inventory</i>	<i>(75)</i>	<i>(18)</i>	<i>(93)</i>
<i>Purchases</i>	<i>-</i>	<i>1</i>	<i>1</i>
<i>Changes in fair value</i>	<i>76</i>	<i>12</i>	<i>88</i>
<i>Effect of movements in foreign exchange</i>	<i>(2)</i>	<i>-</i>	<i>(2)</i>
<i>At 15 September 2018</i>	<i>76</i>	<i>8</i>	<i>84</i>

#### 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 15 September 2018:

	<i>South Africa</i>	<i>Malawi</i>	<i>Zambia</i>	<i>Swaziland</i>	<i>Tanzania</i>	<i>Mozambique</i>
<i>Expected area to harvest (hectares)</i>	<i>6,517</i>	<i>18,363</i>	<i>15,848</i>	<i>8,609</i>	<i>9,426</i>	<i>5,875</i>
<i>Estimated yield (tonnes cane/hectare)</i>	<i>69.0</i>	<i>97.7</i>	<i>119.0</i>	<i>102.1</i>	<i>7408</i>	<i>82.1</i>
<i>Average maturity of cane</i>	<i>46.4%</i>	<i>68.2%</i>	<i>65.7%</i>	<i>67.7%</i>	<i>46.2%</i>	<i>71.6%</i>

## Notes (continued)

### 11 Biological assets (continued)

The following assumptions were used in the determination of the estimated sucrose tonnage at 16 September 2017:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	6,475	19,802	15,999	8,588	9,678	6,091
Estimated yield (tonnes cane/hectare)	68.8	91.0	118.6	96.7	70.3	81.0
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:

	2018		2017	
	+1% £m	-1% £m	+1% £m	-1% £m
Estimated sucrose content (growing cane)	1.1	(1.1)	1.1	(1.1)
Estimated sucrose price (growing cane)	1.4	(1.4)	1.5	(1.5)

### 12 Investment property

	£m
At 17 September 2016	197
Additions	29
Disposals	(17)
At 16 September 2017	209
Additions	9
Disposals	(26)
Impairment losses	(10)
At 15 September 2018	182

Investment properties primarily comprise commercial property leased to third parties. Annual rental income amounts to £8m (2017: £9m). No contingent rents are charged.

Impairment losses of £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 17 September 2016	241	39
Acquisitions	-	14
Profit for the period	53	10
Dividends received	(75)	(5)
At 16 September 2017	219	58
Profit for the period	45	9
Dividends received	(39)	(6)
At 15 September 2018	225	61

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

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

	Joint ventures		Associates	
	2018	2017	2018	2017
	£m	£m	£m	£m
Non-current assets	148	146	20	22
Current assets	411	373	237	201
Current liabilities	(280)	(237)	(193)	(161)
Non-current liabilities	(73)	(81)	(4)	(5)
Goodwill	19	18	1	1
Net assets	225	219	61	58
Revenue	1,443	1,450	689	629
Profit for the period	45	53	9	10

## Notes (continued)

### 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% (2017 - 91%) of the group's defined benefit scheme assets and 89% (2017 - 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.

#### 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 £37m in the UK and £40m overseas, totalling £77m (2017 - UK £35m, overseas £44m, total £79m)

#### Actuarial Assumptions

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

	2018 UK %	2018 Overseas %	2017 UK %	2017 Overseas %
Discount rate	2.9	1.0-11.3	2.7	0.7-16.5
Inflation	2.3-3.3	0-11.9	2.3-3.3	0-9.5
Rate of increase in salaries	3.3-4.3	1-13.0	3.3-4.3	1-12.0
Rate of increase for pensions in payment	2.1-3.1	0-5.6	2.1-3.1	0-5.7
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 2016 projection model (2017 - 2015 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 (2017 - no rating for males and a +0.7 year rating down for females), both with a long-term trend of 1.5% (2017 - 1.25%). 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:

	2018		2017	
	Male	Female	Male	Female
Life expectancy from age 65 (in years)				
Member aged 65 in 2018 (2017)	21.9	24.5	22.3	24.9
Member aged 65 in 2038 (2037)	23.7	26.4	24.0	26.8

## Notes (continued)

### 14 Employee entitlements (continued)

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 15 September 2018 is:

	Change in assumptions	Impact on scheme liabilities
Discount rate	decrease/increase by 0.5%	increase/decrease by 8.0%
Inflation	increase/decrease by 0.5%	increase/decrease by 6.2%
Rate of increase in salaries	increase/decrease by 0.5%	increase/decrease by 1.5%
Rate of mortality	reduce by one year	increase by 3.5%

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.

### Balance sheet

	2018			2017		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
<i>Equities</i>	1,355	180	1,535	1,225	166	1,391
<i>Government bonds</i>	530	47	577	988	46	1,034
<i>Corporate and other bonds</i>	393	58	451	562	64	626
<i>Property</i>	343	21	364	323	19	342
<i>Cash and other assets</i>	1,093	62	1,155	597	56	653
<i>Scheme assets</i>	3,714	368	4,082	3,695	351	4,046
<i>Scheme liabilities</i>	(3,184)	(446)	(3,630)	(3,463)	(448)	(3,911)
<i>Aggregate net deficit</i>	530	(78)	452	232	(97)	135
<i>Irrecoverable surplus (a)</i>	-	(17)	(17)	-	(10)	(10)
<i>Net pension asset/(liability)</i>	530	(95)	435	232	(107)	125
<i>Analysed as</i>						
<i>Scheme in surplus</i>	571	8	579	277	8	285
<i>Schemes in deficit</i>	(41)	(103)	(144)	(45)	(115)	(160)
	530	(95)	435	232	(107)	125
<i>Unfunded liability included in the present value of scheme liabilities above</i>	(41)	(56)	(97)	(44)	(56)	(100)

(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 or other bonds relating to UK schemes of £393m (2017 - £562m) include £13m (2017 - £55m) 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 £401m (2017: £312m) 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 27% (2017 - 26%) in respect of active participants, 20% (2017 - 22%) for deferred participants and 53% (2017 - 52%) 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 (2017 - 18 years for both UK and overseas schemes)

## Notes (continued)

### 14 Employee entitlements (continued)

#### Income statement

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

	2018 £m	2017 £m
<i>Charged to operating profit:</i>		
<i>Defined benefit plans</i>		
Current service cost	(44)	(48)
Past service cost	1	-
<i>Defined contribution schemes</i>	(78)	(79)
<i>Total operating cost</i>	(121)	(127)
<i>Reported in other finance income/(expense):</i>	4	(5)
<i>Net interest income/(expense) on net pension asset/(liability)</i>	(1)	(1)
<i>Net impact on profit before tax</i>	(118)	(133)

#### Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £37m (2017: £35m) and benefits paid in respect of unfunded plans of £2m (2017 - £1m). Contributions to funded defined benefit plans are subject to periodic review. Contributions to defined contribution schemes amounted to £77m (2017 - £79m).

Total contributions to funded plans and benefit payments by the group in respect of unfunded plans in 2019 are currently expected to be approximately £32m in the UK and £9m overseas, totalling £41m (2017 - UK £31m, overseas £11m, totalling £42m).

#### Other comprehensive income

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

	2018 £m	2017 £m
<i>Return on scheme assets excluding amounts included in net interest in the income statement</i>	113	135
<i>Actuarial losses arising from changes in financial assumptions</i>	135	55
<i>Actuarial gains/(losses) arising from changes in demographic assumptions</i>	49	2
<i>Experience gains on scheme liabilities</i>	21	243
<i>Change in unrecognised surplus</i>	(8)	3
<i>Remeasurements of the net pension asset/(liability)</i>	310	438

The primary reason for the significant experience gains in the year is the latest scheme membership information gathered during the 2017 triennial valuation, which identified that there has been more exits from the scheme than expected over the past three years.

#### Reconciliation of change in assets and liabilities

	2018 Assets £m	2017 Assets £m	2018 Liabilities £m	2017 Liabilities £m	2018 Net £m	2017 Net £m
<i>At beginning of year</i>	4,046	3,992	(3,910)	(4,284)	136	(292)
<i>Current service cost</i>	-	-	(44)	(48)	(44)	(48)
<i>Employee contributions</i>	9	10	(9)	(10)	-	-
<i>Employer contributions</i>	37	35	-	-	37	35
<i>Benefit payments</i>	(230)	(204)	232	205	2	1
<i>Past service costs</i>	-	-	1	-	1	-
<i>Interest income/(expense)</i>	107	98	(103)	(103)	4	(5)
<i>Return on scheme assets less interest income</i>	113	135	-	-	113	135
<i>Actuarial gains/(losses) arising from changes in financial assumptions</i>	-	-	135	55	135	55
<i>Actuarial gains arising from changes in demographic assumptions</i>	-	-	49	2	49	2
<i>Experience gains on scheme liabilities</i>	-	-	21	243	21	243
<i>Businesses disposed</i>	-	(25)	-	39	-	14
<i>Effect of movements in foreign exchange</i>	-	5	(2)	(9)	(2)	(4)
<i>At end of year</i>	4,082	4,046	(3,630)	(3,910)	452	136

## Notes (continued)

### 14 Employee entitlements (continued)

#### Reconciliation of change in irrecoverable surplus

	2018 £m	2017 £m
At beginning of year	(10)	(11)
Change recognised in other comprehensive income	(8)	3
Interest charge on irrecoverable surplus	(1)	(1)
Effect of movements in foreign exchange	2	(1)
At end of year	(17)	(10)

### 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 17 September 2016	91	77	(58)	(6)	(54)	(49)	1
Amount charged/ (credited) to the income statement	52	(1)	(3)	6	(47)	7	14
Amount charged/(credited) to equity	-	-	73	-	2	-	75
Acquired through business combinations	1	7	-	-	-	-	8
Effect of changes in tax rate on income statement	(3)	-	-	-	(1)	3	(1)
Effect of changes in tax rate on equity	-	-	3	-	-	-	3
Effect of movements in foreign exchange	(5)	3	1	(1)	(2)	(1)	(5)
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

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:

	2018 £m	2017 £m
- Deferred tax assets	(133)	(143)
- Deferred tax liabilities	321	238
	188	95

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. Other deferred tax assets totalling £101m (2017 - £97m) have not been recognised on the basis that their future economic benefit is uncertain.

In addition, there are temporary differences of £3,327m (2017 - £2,995m) 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.



## Notes (continued)

### 16 Trade and other receivables

	2018 £m	2017 £m
<i>Non-current - other receivables</i>		
<i>Loans and receivables</i>	56	50
<i>Other non-current investments</i>	4	4
	<u>60</u>	<u>54</u>
<i>Current – trade and other receivables</i>		
<i>Trade receivables</i>	1,080	1,039
<i>Other receivables</i>	158	131
<i>Accrued income</i>	20	14
	<u>1,258</u>	<u>1,184</u>
<i>Prepayments and other non-financial receivables</i>	199	182
	<u>1,457</u>	<u>1,366</u>

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 18.

Trade and other receivables include £47m (2017 - £48m) in respect of finance lease receivables, with £42m in non-current loans and receivables and £5m in current other receivables (2017 - £45m in non-current loans and receivables and £3m in current other receivables). Minimum lease payments receivable are £5m within one year, £20m between one and five years and £25m in more than five years (2017 - £3m within one year, £15m between one and five years and £36m in more than five years).

The finance lease receivable relates to property, plant & equipment leased to a joint venture of the group (see note 26).

### 17 Inventories

	2018 £m	2017 £m
<i>Raw materials and consumables</i>	361	352
<i>Work in progress</i>	87	22
<i>Finished goods and goods held for resale</i>	1,752	1,739
	<u>2,200</u>	<u>2,113</u>
<i>Write down of inventories</i>	(106)	(121)

## Notes (continued)

### 18 Financial Instruments

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

		2018 £m	2017 £m
<b>Financial assets</b>			
Cash and cash equivalents	19	1,812	1,877
<b>Loans and receivables:</b>			
Trade and other receivables	16	1,258	1,184
Other non-current receivables	16	60	54
<b>At fair value through profit and loss</b>			
Other financial assets		832	793
Derivative assets not designated in a cash flow hedging relationship:			
- currency derivatives		20	2
- commodity derivatives		3	2
<b>Designated cash flow hedging relationships</b>			
Derivative assets designated and effective as cash flow hedging instruments:			
- currency derivatives		73	68
- commodity derivatives		36	7
<b>Total financial assets</b>		<b>4,094</b>	<b>3,987</b>
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	21	(2,481)	(2,452)
Secured loans	20	(64)	(94)
Unsecured loans and overdrafts (fair value 2018 - £782m; 2017 - £867m)	20	(744)	(823)
Finance leases (fair value 2018 - £19m; 2017 - £19m)	20	(14)	(14)
Deferred consideration	22	(9)	(6)
<b>At fair value through profit and loss</b>			
Derivative liabilities not designated in a cash flow hedging relationship:			
- currency derivatives		(3)	(32)
- commodity derivatives		(3)	(2)
<b>Designated net investment hedging relationships</b>			
Derivative liabilities designated as net investment hedging instruments:			
- currency derivatives		(30)	(27)
<b>Designated cash flow hedging relationships</b>			
Derivative liabilities designated and effective as cash flow hedging instruments:			
- currency derivatives		(10)	(48)
- commodity derivatives		(6)	(4)
<b>Total financial liabilities</b>		<b>(3,364)</b>	<b>(3,502)</b>
<b>Net financial liabilities</b>		<b>730</b>	<b>485</b>

Except where stated, carrying amount is equal to fair value.

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

Financial asset/liability	Fair value determination
Cash and cash equivalents, trade receivables, other receivables and accrued income, trade payables, other payables and accruals	Fair values have been stated at book values due to short maturities or otherwise immediate or short-term access and realisability.
Other non-current investments (recorded within other non-current receivables)	These comprise minority shareholdings in privately owned, unquoted companies where there is no active market available to value them. Where the fair value of the equity instruments cannot be reliably measured, they are recorded at cost.
Other non-current receivables, loans, overdrafts and debenture stock and finance leases.	Fair values for these level 2 financial instruments have been estimated by discounting expected future cash flows (see below).

## Notes (continued)

### 18 Financial Instruments (continued)

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

Financial asset/liability	Fair value determination
Derivatives	<p>Fair values are typically determined either by reference to third party valuations (usually from a bank), or by reference to readily observable market prices.</p> <p>The group's derivatives primarily cover a period of no more than 12 months from the balance sheet date, and information derived from an active market is therefore, almost always available to assist with the valuation of derivatives.</p>
Deferred consideration	Deferred consideration is measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and is discounted to present value where the effect is material. Consequently, the fair value is equivalent to book value.

#### Valuation of financial instruments carried at fair value

Financial instruments carried at fair value in the balance sheet comprise 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.

#### 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.

	2018				2017			
	Contractual / notional amounts	Level 1	Level 2	Total	Contractual / notional amounts	Level 1	Level 2	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>								
Currency derivatives	1,356	-	93	93	817	-	70	70
Commodity derivatives	190	-	39	39	104	-	9	9
	1,546	-	132	132	921	-	79	79
<b>Financial Liabilities</b>								
Currency derivatives	1,267	-	(43)	(43)	1,819	-	(107)	(107)
Commodity derivatives	106	-	(9)	(9)	100	(1)	(5)	(6)
	1,373	-	(52)	(52)	1,919	(1)	(112)	(113)

## Notes (continued)

### 18 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.

	2018			2017		
	Currency derivatives £m	Commodity derivatives £m	Total £m	Currency derivatives £m	Commodity derivatives £m	Total £m
Opening balance	32	(2)	30	16	6	22
Losses/(gains) recognised in the hedging reserve	(89)	(32)	(121)	75	3	78
Amount removed from the hedging reserve and included in the income statement:						
- revenue	6	-	6	(20)	(7)	(27)
- cost of sales	-	12	12	(2)	2	-
- other financial income	11	1	12	(11)	-	(11)
Amount removed from the hedging reserve and included in non-financial asset:						
- inventory	40	(5)	35	(24)	(8)	(32)
Deferred tax	6	6	12	(2)	2	-
Closing balance	6	(20)	(14)	32	(2)	30
Cash flows are expected to occur:						
- within six months	(3)	(15)	(18)	24	-	24
- between six months and one year	2	(2)	-	3	(2)	1
- between one and two years	1	(1)	-	1	-	1
- between two and five years	5	(2)	3	3	-	3
- after five years	1	-	1	1	-	1
	6	(20)	(14)	32	(2)	30

Of the closing balance of £(14)m, £(13)m is attributable to equity shareholders and £(1)m to non-controlling interests (2017 - £31m is attributable to equity shareholders and £(1)m to non-controlling interests). Of the net movement in the year of £(44)m, £(44)m is attributable to equity shareholders and £nil to non-controlling interests (2017 - £9m attributable to equity shareholders and £(1)m to non-controlling interests).

#### 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.

## Notes (continued)

### 18 Financial Instruments (continued)

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.

#### 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.

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.

At year end, the group has \$160m of borrowings (2017 - \$160m) that have been designated as hedges of its net investment in foreign operations in US dollars.

A net foreign exchange loss of £6m (2017 – gain of £3m) 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 £4m has been debited to the translation reserve, all of which is attributable to equity shareholders (2017 - £12m 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, 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.

## Notes (continued)

### 18 Financial Instruments (continued)

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

The group does not have significant sensitivities in respect of the accounting for its on-balance sheet commodity contracts.

#### (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 15 September 2018, £593m (76%) (2017 - £599m and 68%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £573m (2017 - £558m).

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) risk

The group also 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 documents currency derivatives used to hedge its forecast transactions as cash flow hedges. 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.

## Notes (continued)

### 18 Financial Instruments (continued)

The group's most significant currency transaction exposures are:

- sugar prices in British Sugar to movements in the sterling/euro exchange rate
- sugar prices in Illovo to movements in the South African rand/US dollar/euro exchange rates; 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.

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

	2018				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	2	267	26	36	331
Trade and other receivables	-	45	72	14	131
	2	312	98	50	462
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	(15)	(368)	(45)	(9)	(437)
Deferred consideration	-	(428)	(1)	-	(429)
	(15)	(796)	(46)	(9)	(866)
<b>CURRENCY DERIVATIVES</b>					
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
<b>Total</b>	<b>53</b>	<b>1,064</b>	<b>(292)</b>	<b>153</b>	<b>978</b>
	2017				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	-	277	237	40	554
Trade and other receivables	1	24	85	13	123
	1	301	322	53	677
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	(22)	(396)	(41)	(10)	(469)
Unsecured bank loans and overdrafts	-	(413)	(2)	-	(415)
Finance leases	-	-	-	(1)	(1)
Deferred consideration	-	(1)	-	-	(1)
	(22)	(810)	(43)	(11)	(886)
<b>CURRENCY DERIVATIVES</b>					
Gross amounts receivable	73	1,694	85	168	2,020
Gross amounts payable	(3)	(105)	(501)	(61)	(670)
	70	1,589	(416)	107	1,350
<b>Total</b>	<b>49</b>	<b>1,080</b>	<b>(137)</b>	<b>149</b>	<b>1,141</b>

## Notes (continued)

### 18 Financial Instruments (continued)

The following major exchange rates applied during the period:

	Average rate		Closing rate	
	2018	2017	2018	2017
US dollar	1.35	1.27	1.31	1.36
Euro	1.13	1.15	1.12	1.14
Rand	17.52	16.96	19.46	17.87
Renminbi	8.79	8.63	8.97	8.90
Australian dollar	1.76	1.67	1.82	1.70

#### Sensitivity analysis

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 2018	Impact on total equity 2018	Impact on profit for the period 2017	Impact on total equity 2017
10% strengthening against other currencies of	+/- £m	+/- £m	+/- £m	+/- £m
Sterling	1	7	-	6
US dollar	11	110	5	118
Euro	5	(29)	6	(19)
Other	8	17	10	16

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 2018	Impact on profit for the period 2017
10% strengthening of sterling against	+/- £m	+/- £m
US dollar	(14)	(24)
Euro	(31)	(35)
Rand	(1)	(2)
Renminbi	(2)	(20)
Australian dollar	(3)	(4)

#### 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 15 September 2018. The group considers its maximum exposure to credit risk to be:

	2018	2017
	£m	£m
Cash and cash equivalents	1,812	1,877
Other financial assets	832	793
Loans and receivables (refer to note 18a)	1,318	1,238
Derivative assets at fair value through profit and loss	23	4
Derivative assets in designated cash flow hedging relationships	109	75
	4,094	3,987



## Notes (continued)

### 18 Financial Instruments (continued)

The 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

Concentrations of credit risk are 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.

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

	2018	2017
	£m	£m
UK	483	437
Europe & Africa	302	287
The Americas	168	163
Asia Pacific	305	297
	16	1,258
		1,184

Trade receivables can be analysed as follows:

	2018	2017
	£m	£m
Not overdue	956	897
Up to 1 month past due	90	107
Between 1 and 2 months past due	18	20
Between 2 and 3 months past due	9	8
More than 3 months past due	30	32
Provision for doubtful debts	(23)	(25)
	1,080	1,039

Based on past experience, the group believes that no impairment allowance is necessary in respect of trade receivables that are not past due.

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

	2018	2017
	£m	£m
Opening balance	25	25
Amounts provided for during the period	6	5
Amounts released during the year	(4)	(2)
Amounts utilised during the year	(4)	(3)
Amounts acquired through business combinations	1	-
Effect of movements in foreign exchange	(1)	-
Closing balance	23	25

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

## Notes (continued)

### 18 Financial Instruments (continued)

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

#### *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.

#### *Other financial assets*

Other non-current investments are typically equity investments with no fixed maturity or recoverability date. No impairment issues have been identified with respect to other non-current investments.

Since derivative assets are recorded at fair value, either through profit and loss for those not in a designated cash flow hedging relationship, or otherwise through the hedging reserve, no impairment issues have been identified.

### 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.

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

## Notes (continued)

### 18 Financial Instruments (continued)

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

		2018						Contracted amount	Carrying amount
Note		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		£m
<b>Non-derivative financial liabilities</b>									
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)
<b>Derivative financial liabilities</b>									
- Currency derivatives (net payment)		(4)	(2)	-	-	-	(6)		(43)
- Commodity derivatives (net payment)		(8)	-	(1)	-	-	(9)		(9)
<b>Total financial liabilities</b>		<b>(2,399)</b>	<b>(240)</b>	<b>(51)</b>	<b>(398)</b>	<b>(299)</b>	<b>(3,387)</b>		<b>(3,364)</b>

		2017						Contracted amount	Carrying amount
Note		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		£m
<b>Non-derivative financial liabilities</b>									
Trade and other payables	21	(2,216)	(20)	(15)	(52)	(149)	(2,452)		(2,452)
Secured loans	20	(14)	(10)	(13)	(57)	-	(94)		(94)
Unsecured loans and overdrafts	20	(173)	(60)	(254)	(289)	(97)	(873)		(823)
Finance leases	25	(1)	(1)	(2)	(2)	(36)	(42)		(14)
Deferred consideration	22	-	(2)	(1)	(3)	-	(6)		(6)
<b>Derivative financial liabilities</b>									
- Currency derivatives (net payment)		(69)	(8)	-	-	-	(77)		(107)
- Commodity derivatives (net payment)		(2)	(3)	(1)	-	-	(6)		(6)
<b>Total financial liabilities</b>		<b>(2,475)</b>	<b>(104)</b>	<b>(286)</b>	<b>(403)</b>	<b>(282)</b>	<b>(3,550)</b>		<b>(3,501)</b>

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 15 September 2018.

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)

### 18 Financial Instruments (continued)

#### i) Borrowing facilities

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 15 September 2018, in respect of which all conditions precedent have been met amounted to £1,249m (2017: £1,232m):

	2018			2017		
	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	573	573	-	558	558	-
Illovo	113	66	47	117	85	32
Other	46	44	2	70	70	-
	1,932	683	1,249	1,945	713	1,232

Uncommitted facilities available at 15 September 2018 were:

	2018			2017		
	Facility £m	Drawn £m	Undrawn £m	Facility £m	Drawn £m	Undrawn £m
Money market lines	100	-	100	100	-	100
Illovo	179	62	117	177	74	103
Azucarera	80	22	58	93	33	60
China banking	6	-	6	37	-	37
Other	159	41	118	208	97	111
	524	125	399	615	204	411

In addition to the above facilities, there are also £73m (2017: £520m) 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 (2017: £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 £558m of private placement notes in issue to institutional investors in the US and Europe. At 15 September 2018, these had an average remaining duration of 2.5 years and an average fixed coupon of 4.6%. 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 27 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.

## Notes (continued)

### 19 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	1,108	1,124
Cash equivalents	704	753
Cash and cash equivalents	1,812	1,877
<b>Reconciliation to the cash flow statement</b>		
Bank overdrafts	(91)	(164)
Cash and cash equivalents in the cash flow statement	1,721	1,713

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.

### 20 Loans and overdrafts

	Notes	2018 £m	2017 £m
<b>Current loans and overdrafts</b>			
Secured loans		12	24
Unsecured loans and overdrafts		408	246
Finance leases		1	1
		421	271
<b>Non-current loans</b>			
Secured loans		52	70
Unsecured loans		336	577
Finance leases	25	13	13
		401	660
	18	822	931
	Notes	2018 £m	2017 £m
Secured loans			
- GBP floating rate		44	54
- Other floating rate		20	33
- Other fixed rate		-	7
Unsecured bank loans and overdrafts			
- Bank overdrafts		91	164
- GBP fixed rate		147	164
- USD floating rate		30	37
- USD fixed rate		428	413
- EUR floating rate		23	35
- RMB floating rate		3	-
- Other floating rate		21	9
- Other fixed rate		1	1
Finance lease liabilities (fixed rate)		14	14
		822	931

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.

## Notes (continued)

### 21 Trade and other payables

	2018 £m	2017 £m
Trade payables	1,171	1,242
Accruals	1,041	997
	2,212	2,239
Deferred income and other non-financial payables	361	300
	2,573	2,539
<b>Non-current – other payables</b>		
Accruals	269	216

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

### 22 Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
<b>At 16 September 2017</b>	<b>68</b>	<b>6</b>	<b>58</b>	<b>132</b>
Created	66	4	5	75
Acquired through business combinations	-	-	3	3
Utilised	(36)	(1)	(8)	(45)
Released	(7)	-	(18)	(25)
Effect of movements in foreign exchange	-	-	-	-
<b>At 15 September 2018</b>	<b>91</b>	<b>9</b>	<b>40</b>	<b>140</b>
Current	57	2	29	88
Non-current	34	7	11	52
	91	9	40	140

Financial liabilities within provisions comprised deferred consideration in both years (see note 18).

#### 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

##### 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.

## Notes (continued)

### 23 Acquisitions and disposals (continued)

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>Acetum</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Net assets</b>				
<i>Intangible assets</i>	-	95	10	105
<i>Property, plant and equipment</i>	41	42	1	43
<i>Inventories</i>	28	95	2	97
<i>Trade and other receivables</i>	28	23	5	28
<i>Cash and cash equivalents</i>	11	11	-	11
<i>Trade and other payables</i>	(31)	(26)	(5)	(31)
<i>Loans</i>	(89)	(89)	-	(89)
<i>Taxation</i>	6	(40)	(2)	(42)
<b>Net identifiable assets and liabilities</b>	<b>(6)</b>	<b>111</b>	<b>11</b>	<b>122</b>
<i>Goodwill</i>		95	5	100
<b>Total consideration</b>		<b>206</b>	<b>16</b>	<b>222</b>
			<i>Recognised values on acquisition</i>	
			<i>£m</i>	
<b>Satisfied by</b>				
<i>Cash consideration</i>				218
<i>Deferred consideration</i>				4
				<b>222</b>
<b>Net cash</b>				
<i>Cash consideration</i>				218
<i>Cash and cash equivalents acquired</i>				(11)
<i>Deferred consideration paid</i>				1
				<b>208</b>

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.

After the year end, on 17 September 2018 the group completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia for cash consideration of A\$75m. In the year ended 30 June 2018, the business generated net sales of A\$51m and profit after tax of A\$4m. The fair value of assets recognised on acquisition was A\$35m including A\$35m of non-operating intangible assets in respect of brand and customer relationships, and A\$10m of related deferred tax.

### 2017

Last year the group acquired two small Grocery businesses in the UK and an Ingredients business in the US. Total consideration was £85m, comprising cash of £83m and deferred consideration of £2m. Net assets acquired comprised intangible assets of £69m, cash of £5m and other operating assets and liabilities of £11m. The cash outflow of £79m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £83m less cash acquired with the businesses of £5m and £1m of deferred consideration in respect of prior year acquisitions.

## Notes (continued)

### 23 Acquisitions and disposals (continued)

#### Disposals 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.

#### 2017

The group disposed of its US herbs and spices business, reported within the Grocery segment. Cash proceeds amounted to £294m, net assets disposed were £26m and the associated goodwill was £124m. Provisions for transaction and associated restructuring costs were £33m, with a loss of £1m on recycling foreign exchange differences. The pre-tax gain on disposal was £110m. The group also disposed of its south China cane sugar operations for cash proceeds of £194m. The purchaser also assumed £103m of debt resulting in total proceeds of £297m. Net assets disposed were £120m. Provisions for transaction and associated restructuring costs were £24m, offset by a gain of £29m on recycling of foreign exchange differences and £1m of non-controlling interests. The pre-tax gain on disposal was £183m.

The cash inflow of £452m on the sale of subsidiaries, joint ventures and associates in the cash flow statement comprises cash proceeds of £488m less cash disposed with the businesses of £26m and £10m of transaction costs.

### 24 Share-based payments

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

#### Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan')

The Share Incentive Plan was approved and adopted by the Company at the annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares which will be released if, and to the extent that, performance targets are satisfied over a three-year performance period. The Share Incentive Plan expired in December 2013, with the last grant of allocations made in November 2013. The last allocations made under the Share Incentive Plan either vested or lapsed during the year and it is now closed.

#### 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 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 80 to 99.

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>
2018	3,094,724	1,630,180	(506,293)	(543,241)	3,675,370
2017	2,680,947	1,661,230	(331,341)	(916,112)	3,094,724



## Notes (continued)

### 24 Share-based payments (continued)

#### 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 15 September 2018 the Trust held 2,225,705 (2017 – 1,531,998) ordinary shares of ABF. The market value of these shares at the year-end was £50m (2017 – £48m). The Trust has waived its right to dividends. Movements in the year were releases of 506,293 shares and purchases of 1,200,000 shares (2017 – releases of 331,341 shares and purchases of 350,000 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 2,800 pence (2017 – 2,449 pence) and the weighted average share price was 3,010 pence (2017 – 2,633 pence). The dividend yield used was 2.5% (2017 – 2.5%).

### 25 Analysis of net cash

	At 16 September 2017	Cash flow	Acquisitions	Non-cash items	Exchange adjustments	At 15 September 2018
	£m	£m	£m	£m	£m	£m
Cash at bank and in hand, cash equivalents and overdrafts	1,713	20	-	-	(12)	1,721
Current asset investments	793	24	-	15	-	832
Short-term loans	(107)	115	(89)	(251)	2	(330)
Long-term loans	(660)	(13)	-	268	4	(401)
	1,739	161	(89)	17	(6)	1,822

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 £91m 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.

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

### 26 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 £15m (2017 - £17m) 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 £113m (2017 - £116m).

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

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

	2018 Land and buildings £m	2018 Plant and equipment £m	2018 Total £m	2017 Land and buildings £m	2017 Plant and equipment £m	2017 Total £m
Within one year	321	12	333	299	12	311
Between one and five years	1,296	18	1,314	1,202	16	1,218
After five years	2,999	-	2,999	2,971	-	2,971
	4,616	30	4,646	4,472	28	4,500

## Notes (continued)

### 26 Lease commitments (continued)

#### Finance leases

Finance lease liabilities are payable as follows:

	<i>Minimum lease payments 2018 £m</i>	<i>Interest 2018 £m</i>	<i>Principal 2018 £m</i>	<i>Minimum lease payments 2017 £m</i>	<i>Interest 2017 £m</i>	<i>Principal 2017 £m</i>
<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>	35	23	12	36	24	12
	<b>41</b>	<b>27</b>	<b>14</b>	<b>42</b>	<b>28</b>	<b>14</b>

### 27 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 15 September 2018, group companies have provided guarantees in the ordinary course of business amounting to £1,661m (2017: £1,866m).

### 28 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	2018 £'000	2017 £'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	22,233	20,225
(ii) Directors of Wittington Investments Limited who are not Trustees of The Foundation	2	4,154	3,778
<hr/>			
Sales to and commissions paid to companies with common key management personnel	3	17,258	16,181
Amounts due from companies with common key management personnel	3	1,887	1,938
Sales to joint ventures and associates on normal trading terms	4	54,008	39,727
Purchases from joint ventures and associates on normal trading terms	4	409,856	416,370
Amounts due from joint ventures and associates	4	52,546	51,110
Amounts due to associates and joint ventures	4	41,572	38,254
<hr/>			

- The Garfield Weston Foundation ("The Foundation") is an English charitable trust, established in 1958 by the late W Garfield Weston. As at 15 September 2018, the Foundation holds 683,073 shares (2017: 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 15 September 2018, Trustees of the Foundation comprised two children and two grandchildren of the late W. Garfield Weston and five of the late Garry H Weston's children.
- Details of the directors of Wittington Investments Limited are given on page 5. Directors' remuneration is disclosed in note 4.
- The companies with common key management personnel are the George Weston Limited group in Canada, and Selfridges & Co. Limited.
- Details of the group's subsidiary undertakings and joint ventures are set out in note 29.

## Notes (continued)

### 29 Group entities

#### Subsidiary undertakings

A list of the group's subsidiaries as at 15 September 2018 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. The effective percentage holding is 100% unless stated otherwise.

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
<b>United Kingdom</b>		Atrium 100 Stores Holdings Limited	
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY</i>		Atrium 100 Stores Limited	
A.B. Exploration Limited		B.E. International Foods Limited	
A.B.F. Holdings Limited		Banbury Agriculture Limited	
A.B.F. Nominees Limited		British Sugar (Overseas) Limited	
A.B.F. Properties Limited		British Sugar plc	
AB Agri Limited		BSO (China) Limited	
AB Foods Australia Limited		Cereal Industries Limited	
AB Ingredients Limited		Cereform Limited	
AB Mauri (UK) Limited		Davjon Food Limited	
AB Mauri Europe Limited		Dorset Cereals Limited	
AB Sugar China Holdings Limited		Eastbow Securities Limited	
AB Sugar China Limited		Elsenham Quality Foods Limited	
AB Sugar China North Limited		Fishers Feeds Limited	
AB Sugar Limited		Fishers Seeds & Grain Limited	
AB Technology Limited		Food Investments Limited	
AB World Foods (Holdings) Limited		G. Costa (Holdings) Limited	
AB World Foods Limited		G. Costa and Company Limited	
ABF (No. 1) Limited		Germain's (U.K.) Limited	
ABF (No. 2) Limited		H 5 Limited	
ABF (No. 3) Limited		Illovo Sugar Africa Holdings Limited	
ABF BRL Finance Ltd		Jacksons of Piccadilly (strike off application submitted October 2018)	
ABF Europe Finance Limited		John K. King & Sons Limited	
ABF European Holdings Limited		Kingsgate Food Ingredients Limited	
ABF Finance Limited		LeafTC Limited	
ABF Food Tech Investments Limited		Mauri Products Limited	
ABF Funding		Mitra Sugar Limited	
ABF Grain Products Limited		Mountsfield Park Finance Limited	
ABF Green Park Limited		Nere Properties Limited	
ABF Grocery Limited		Nutrition Trading (International) Limited	
ABF HK Finance Limited		Nutrition Trading Limited	
ABF Ingredients Limited		Patak (Spices) Limited	
ABF Investments plc		Patak Food Limited	
ABF Japan Limited		Patak's Breads Limited	
ABF MXN Finance Limited		Patak's Foods 2008 Limited	
ABF Overseas Limited		Premier Nutrition Products Limited	
ABF PM Limited		Pride Oils Public Limited Company	
ABF UK Finance Limited		Primark (U.K.) Limited	
ABF US Holdings Limited		Primark Austria Limited	
ABN (Overseas) Limited		Primark Mode Limited	
ABNA Feed Company Limited		Primark Pension Administration Services Limited	
ABNA Limited		Primark Stores Limited	
Agrilines Limited		Primary Diets Limited	
Allied Bakeries Limited		Primary Nutrition Limited	
Allied Grain (Scotland) Limited		Pro-active Nutrition Limited	
Allied Grain (South) Limited		R. Twining and Company Limited	
Allied Grain (Southern) Limited		Reflex Nutrition Limited	
Allied Grain Limited		Roses Nutrition Ltd	
Allied Mills Limited		Seedcote Systems Limited	
Allied Technical Centre Limited		Serpentine Securities Limited	
Allinson Limited		Sizzlers Limited	
Associated British Foods Pension Trustees Limited		Sizzles Limited	
Atrium 100 Properties Limited			

## Notes (continued)

### 29 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
Spectrum Aviation Limited		Clinton Farms Limited	83%
Speedibake Limited		196 Tottenham Court Road, London, W1T 7LQ, United Kingdom	
Sun Blest Crumpet Co. Limited (The)		Heal's Holdings Limited	
Sunblest Bakeries Limited		Heal & Son Limited	
The Bakery School Limited		Heal's plc	
The Billington Food Group Limited		Ambrose Retail Limited	
The Home Grown Sugar Company Limited		Heal's Pension Fund Trustees Limited	
The Jordans & Ryvita Company Limited		Heal's Finance Limited	
The Natural Sweetness Company Limited		181 Piccadilly, London, W1A 1ER, United Kingdom	
The Roadmap Company Limited		Fortnum & Mason Plc	
The Silver Spoon Company Limited		Fortnum & Mason USA Inc	
The Weston Biscuit Company Limited		Fortnum & Mason Limited	
Tip Top Bakeries Limited		F. & M. Limited	
Trident Feeds Limited		Fortnum & Mason (Export) Limited	
Twining Crosfield & Co. Limited		Fortnum & Mason Hospitality Limited	
Vivergo Fuels Limited		Fortnum & Mason (London) Limited	
W. Jordan & Son (Silo) Limited		Fortnums Limited	
W. Jordan (Cereals) Limited		1 College Place North, Belfast, BT1 6BG, United Kingdom	
Wereham Gravel Company Limited (The)		James Neill Limited	
Westmill Foods Limited		Unit 4, 211 Castle Road, Randalstown, Co. Antrim, BT41 2EB	
Weston Foods Limited		Jordan Bros. (N.I.) Limited	
Weston Research Laboratories Limited		Nutrition Services (International) Limited	
Worldwing Investments Limited		Vistavet Limited	
Wittington Investments (Properties) Limited		180 Glentanar Road, Glasgow, G22 7UP	
Wittington Investments (Developments) Limited		ABN (Scotland) Limited	
Richmond Hill Hotel (Operations) Limited		Miller Samuel LLP, RWF House,	
Wittington Investments (Richmond Hill Hotel) Limited		5 Renfield Street, Glasgow, G2 5EZ	
Howard Investments Limited		Korway Foods Limited	
Wittington Investments Finance Limited		Korway Holdings Limited	
Brighton Grand Hotel Operations Limited		Patak's Chilled Foods Limited	
Wittington Investments (Brighton Grand) Limited		Patak's Frozen Foods Limited	
Wittington Investments (WPX) Limited			
Wittington Investments (OCP) Limited			
Wittington Investments (Harbourvest) Limited			
Wittington Investments (BV II) Limited			
Wittington Investments (Next Wave) Limited			
Wittington Investments (Dunedin) Limited			
Wittington Investments (BSPF) Limited			
Wittington Investments (FAP) Limited			
Wittington Investments (VOI) Limited			
Wittington Investments (BPA II) Limited			
Wittington Investments (Careplaces) Limited			
Wittington Investments (Coller) Limited			
Wittington Investments (PPE IV) Limited			
Wittington Investments (PPE) Limited			
Wittington Investments (Sandaire) Limited			
Wittington Investments (Bestport) Limited			
Wittington Investments (WHEB) Limited			
George Weston Limited			
WINDL Offices Limited			
Wittington Investments (BSP) Limited			
Wittington Investments (BV III) Limited			
Wittington Investments (Reof) Limited			
Wittington Investments (17) Limited			
Wittington Investments (Dunedin III) Limited			
Wittington Investments (Graphite) Limited			
Wittington Investments (Apollo) Limited			
Wittington Investments (FIPL) Limited			
Wittington Investments (FAP II) Limited			
WILH (Investments) Limited			
Wittington Investments (Private Equity) Limited			

## Notes (continued)

### 29 Group entities (continued)

#### Subsidiary undertakings

##### Australia

Mauri Fermentation Brazil Pty Limited  
Mauri Fermentation Chile Pty Limited  
Mauri Fermentation China Pty Limited  
Mauri Fermentation India Pty Limited  
Mauri Fermentation Indonesia Pty Limited  
Mauri Fermentation Malaysia Pty Limited  
Mauri Fermentation Philippines Pty Limited  
Mauri Fermentation Vietnam Pty Limited  
Mauri Yeast Australia Pty Limited  
N&C Enterprises Pty Ltd  
NB Love Industries Pty Ltd  
Serrol Ingredients Pty Limited  
The Jordans and Ryvita Company Australia Pty Ltd  
35-37 South Corporate Avenue, Rowville, Victoria 3178, Australia  
AB Food & Beverages Australia Pty. Limited  
170 South Gippsland Highway, Dandenong, VIC 3175, Australia  
ABF Wynard Park Limited Partnership

##### Austria

Schottenring 19, 1010 Wien, Austria  
Primark Austria Ltd & Co KG

##### Bangladesh

Level 13 Shanta Western Tower Bir Uttam Mir Shawkat Road 186 Tejgaon I/A Dhaka 1208  
Twinings Ovaltine Bangladesh Limited

##### Belgium

Industriepark 2, 9820 Merelbeke, Belgium  
AB Mauri Belgium NV  
Boulevard Raymond Poincare 07/113, 4020 Liege, Belgium  
Primark SA

##### Brazil

Avenida Tietê, L-233 Barranca do Rio Tietê, City of Pederneiras, State of Sao Paulo, CEP 17.280-000, Brazil  
AB Brasil Indústria e Comércio de Alimentos Ltda  
Alameda Amazonas 938, 3rd Floor, Alphaville – Barueri, Sao Paulo 06454-070, Brazil  
AB Enzimas Brasil Comercial Ltda  
Rua Cardeal Arcoverde. 1641 9th Floor, Sao Paulo, Brazil  
AB Vista Brasil Comércio De Alimentação Animal Ltda

##### Canada

Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9, Canada  
AB Mauri (Canada) Limited

##### Chile

Miraflores Street No. 222, 28 Floor, Santiago, Chile  
Calsa Chile Inversiones Limitada

#### Subsidiary undertakings

% of effective  
holding if not  
100%

##### China

No. 1 Tongcheng Street, Acheng District, Harbin, Heilongjiang Province, China  
AB (Harbin) Food Ingredients Company Limited  
Harbin Mauri Yeast Co., Ltd.  
Zhenlai Economic Development District, Baicheng City, Jilin Province, China  
AB Agri Animal Nutrition (Jilin) Co., Ltd  
North Huang He Road, Rudong New Economic Development Zone, Nantong City, Jiangsu Province, China  
AB Agri Animal Nutrition (Nantong) Co., Ltd  
AB Agri Animal Nutrition (Rudong) Co., Ltd.  
Chuangxin Road, Tonggu Industry Zone, Sandu Town, Tongge County, Jiangxi Province, China  
AB Agri Pumeixin Tech (Jiangxi) Co. Ltd.  
No. 889 West Yan An Road, Changning District, Shanghai, 200050, China  
AB Enzymes Trading (Shanghai) Co., Ltd  
ABNA Management (Shanghai) Co., Ltd.  
ABNA Trading (Shanghai) Co., Ltd  
29/F Changning Raffles Tower 2, No. 1189 Changning Road, Changning District, Shanghai, 200051, China  
Associated British Foods Holdings (China) Co., Ltd  
British Sugar Consulting Services (Shanghai) Co Ltd  
Suite 1908, Fosun International Center, No. 237 Chaoyangbei Road, Beijing, Chaoyang District, China  
AB Mauri (Beijing) Food Sales and Marketing Company Limited  
Xinsha Industrial Zone, Machong Town, Dongguan, Guangdong Province, China  
AB Mauri Food (Dongguan) Co., Ltd.  
1151 Siping Road, Yangpu District, Shanghai 200092, China  
AB Mauri Foods (Shanghai) Company Limited 90%  
South Ge XinDaDao, West WuZiGou, Wuhan, DongXHu District 430040, China  
AB Tip Top (Wuhan) Baking Co Ltd  
Building T3-4, No. 5001, Huadong Road, Shanghai  
Jinqiao Export Processing Zone (SA), Customs Supervised Area, Pudong New Area, Shanghai 201201, China  
ABF Twinings Beverages (Shanghai) Limited  
868 Yongpu Road, Pujiang Town, Minhang District, Shanghai 201112, China  
ABNA (Shanghai) Feed Co., Ltd.  
14 Juhai Road, Jinghai Development Zone, Tianjin, China  
ABNA (Tianjin) Feed Co, Ltd  
Shu Shan Modern Industrial Zone of Shou County, Huainan City, Anhui Province, China  
ABNA Feed (Anhui) Co., Ltd.  
145 Xincheng Road, Tengao Economic Development Zone, Anshan, Liaoning 114225, China  
ABNA Feed (Liaoning) Co., Ltd.

## Notes (continued)

### 29 Group entities (continued)

#### Subsidiary undertakings

% of effective  
holding if not  
100%

17 Xiangyang Street, Tu Township, Chayouqianqui, Inner  
Mongolia, China

Botian Sugar (Chayou Qianqi) Co., Ltd.

No. 1 Botian Road, Economic Development Zone,  
Zhangjiakou City, Hebei Province, China

Botian Sugar Industry (Zhangbei) Co., Ltd.

Development Zone Administration Tower, No. 368

Changjiang Road, Nangang District, Haibin,

Heilongjiang Province, China

Botian Sugar Industry Co., Ltd.

1 Industrial North Street, Zhangjiakou, Zhangbei County,  
Hebei, China

Hebei Mauri Food Co., Ltd.

Meishan Industrial Estate, Huangge Town, Nansha

District, Guangzhou City, Guangdong Province, China

Meishan Mauri Yeast Co., Ltd. (in liquidation)

Panyu Mauri Food Co., Ltd.

8 Lancun Road, Economic and Technical Development  
Zone, Minhang, Shanghai 200245, China

Shanghai AB Food & Beverages Co., Ltd

Jie Liang Zi, Huo Cheug, Yi Li, Xinjiang, China

Xinjiang Mauri Food Co., Ltd.

90%

No. 68-1, Shuanglong Road, Fushan District,

Yantai City, Shandong Province, China

Yantai Mauri Yeast Co., Ltd.

92%

#### Colombia

Cra 35# 34A-64, Palmira, Valle, Colombia

Fleischmann Foods S.A.

#### Denmark

Skjernvej 42, Trøstrup, 6920 Videbæk, Denmark

Agro Korn A/S

#### Ecuador

Medardo Ángel Silva 13 y Panamá, Manzana 12,

El Recreo, Eloy Alfaro, Durán, Guayas, Ecuador

AB Calsa S.A.

#### Finland

Tykkimäentie 15b (PO Box 26), Rajamäki,

FI-05200, Finland

AB Enzymes Oy

Tykkimäentie 15b (PO Box 57), Rajamäki,

FI-05201, Finland

Enzymes Leasing Finland Oy

#### France

40/42, avenue Georges Pompidou, 69003, à Lyon, France

AB Mauri France SAS

5 Boulevard de l'Oise, Immeuble Le Rond Point, 95015

Cergy Pontoise, Cédex, France

Foods International S.A.S.

52 rue de la Victoire, TMF Pole, 75009, Paris, France

Primark France SAS

Chemin du Vallon du maire, 13240,

Septèmes les Vallons, France

SPI Pharma SAS

#### Subsidiary undertakings

% of effective  
holding if not  
100%

#### Germany

Feldbergstrasse 78, 64293, Darmstadt, Germany

ABF Enzymes GmbH

Wandsbeker Zollstrasse 59, 22041,

Hamburg, Germany

ABF Deutschland Holdings GmbH

Ohly GmbH

Ohly Grundbesitz GmbH

Rheinische Presshefe- und Spritwerke GmbH

Kennedyplatz 2, 45127, Essen, Germany

Primark Mode Ltd. & Co. KG

Primark Property GmbH

Marie-Kahle-Allee 2, D-53113, Bonn, Germany

Westmill Foods Europe GmbH

#### Guernsey

Maison Trinity, Trinity Square, St. Peter Port, GY1 1AT,

Guernsey

Talisman Guernsey Limited

#### Hong Kong

7/F DCH Building, 20 Kai Cheung Road, Kowloon Bay,

Kowloon, Hong Kong

Associated British Foods Asia Pacific Holdings Limited

#### India

#218 & #219, Bommasandra – Jigani Link Road, Anekal

Taluk, Bangalore, 560105, India

AB Mauri India (Private) Limited

First Floor, Regent Sunny Side, 80 Ft Road,

8th Block, Koramangala Bengaluru, Karnataka, 560030,  
India

SPI Specialties Pharma Private Limited

8, Acharya Jagadish Chandra Bose Road, Kolkata,

700017, India

Twinings Private Limited

#### Indonesia

Wisma GKBI Lt.39, Suite 3901, No.28 Jl. Jend. Sudirman,

Jakarta, Indonesia

PT AB Food & Beverages Indonesia

#### Ireland

47 Mary Street, Dublin 1, Ireland

Abdale Finance Limited

Primark Holdings

Primark Pension Trustees Limited

Proofex Products Company Unlimited Company (in  
liquidation)

Vistavet (Ireland) Limited

Yeast Products Company Unlimited Company

Arthur Ryan House, 22-24 Parnell Street,

Dublin 1, Ireland

Primark Limited

## Notes (continued)

### 29 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%
<b>Italy</b>	
<i>Via Milano 42, 27045, Casteggio, (Pavia), Italy</i>	
AB Mauri Italy S.p.A.	
ABF Italy Holdings S.r.l.	
Primark Italy S.r.l.	
<i>Via Montanara 22/24, 40051, Castelnovo Rangone (MO), Italy</i>	
Acetaia di Modena S.r.l.	
<i>Via Rizzotto 46, 41126, Modena (MO), Italy</i>	
Acetaia Fini Modena S.r.l.	
<i>Via Sandro Pertini 440, 401314, Cavezzo (MO), Italy</i>	
Acetum S.p.A.	
<i>Via Allende 9/D, 41032, Cavezzo (MO), Italy</i>	
Antica Acetaia Simonini S.r.l.	
<i>Piazza degli Affari 2, 20123, Milan, Italy</i>	
Lauro Sessantacinque S.p.A.	
<b>Japan</b>	
<i>2-5-1 Atago, Minato-ku, Tokyo, Japan</i>	
Twinings Japan Co Ltd	50%
<b>Jersey</b>	
<i>CTV House, La Pouquelaye, St Helier, JE2 3TP, Jersey</i>	
Bonuit Investments Limited	
<i>44 Esplanade, St Helier, JE4 9WG, Jersey</i>	
Parkstone (Jersey) Limited (in liquidation)	
<b>Luxembourg</b>	
<i>16, Avenue Pasteur, Luxembourg, L-2310, Luxembourg</i>	
AB Foods Luxembourg S.à r.l. (in liquidation)	
<i>9 Allee Scheffer, Luxembourg, L2520, Luxembourg</i>	
ABF European Holdings & Co SNC	
<b>Malawi</b>	
<i>Illovo House, Churchill Road, Limbe, Malawi</i>	
Dwangwa Sugar Corporation Limited	76%
Illovo Sugar (Malawi) plc	76%
Malawi Sugar Limited	
<b>Malaysia</b>	
<i>No 118, Jalan Pudu, 1st Floor, 55100 Kuala Lumpur, Malaysia</i>	
AB Mauri Malaysia Sdn. Bhd.	52%
<b>Malta</b>	
<i>57 St. Christopher Street, Valletta, VLT1462, Malta</i>	
Relax Limited	70%
<b>Mauritius</b>	
<i>10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius</i>	
Illovo Group Financing Services Limited	
Illovo Group Holdings Limited	
Illovo Group Marketing Services Limited	
Kilombero Holdings Limited	73%
Sucoma Holdings Limited	

Subsidiary undertakings	% of effective holding if not 100%
<b>Mexico</b>	
<i>Paseo de la Reforma No 2620, Edificio Reforma Plus, piso 8, 803, 804 y 803, Col. Lomas Atlas, DF 11950, Mexico</i>	
AB CALSA S.A. de C.V.	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.	
<i>Prol. Paseo de la Reforma 1015, Torre A, Piso 14 Santa Fe, Distrito Federal 01376, Mexico</i>	
ACH Foods Mexico, S. de R.L. de C.V.	
Servicios Alimentos Capullo, S. de R.L. de C.V.	
<b>Mozambique</b>	
KM75 EN1, Maçiana, Distrito de Manhica, Provincia de Maputo, Mozambique	
Maragra Açucar, S.A.	90%
<b>Netherlands</b>	
<i>Mijlweg 77, 3316 BE, Dordrecht, Netherlands</i>	
AB Mauri Netherlands B.V.	
<i>Luna ArenA, Herikerbergweg 238, 1101 CM, Amsterdam Zuidoost, Netherlands</i>	
AB Mauri Netherlands European Holdings B.V.	
Foods International Holding B.V.	
Primark Fashion B.V.	
Primark Netherlands B.V.	
Primark Stil B.V.	
<i>7122 JS Aalten, Dinxperlosestraatweg 122, Netherlands</i>	
Germaines Seed Technology B.V.	
<i>Brieltjenspolder 16, 4921 PJ Made, Netherlands</i>	
Mauri Technology B.V.	
<i>Dalsteindreef 141, Diemen, 1112XJ, Netherlands</i>	
Westmill Foods Europe B.V.	
<b>New Zealand</b>	
<i>73-105 Great South Road, Otahuhu, Auckland, New Zealand</i>	
Allied Foods (NZ) Ltd	
<i>Building 3, Level 2, 666 Great South Road, Ellerslie, Auckland 1051, New Zealand</i>	
Anzchem NZ Limited	
<i>Level 1, 95 Manakau Road, Newmarket, Auckland, New Zealand</i>	
George Weston Foods (NZ) Limited	
<i>1 Simsey Place, Hamilton, New Zealand</i>	
New Zealand Food Industries Limited	
<b>Nigeria</b>	
<i>23 Oba Akinjobi Street, GRA, Ikeja, Lagos, Nigeria</i>	
Twinings Ovaltine Nigeria Limited	
<b>Pakistan</b>	
<i>21 KM Ferozepur Road, 2k KM Hadyara Drain, Lahore, Pakistan</i>	
AB Mauri Pakistan (PRIVATE) Limited	60%
<b>Peru</b>	
<i>Av. Argentina No. 1227, Callao, Peru</i>	
Cals Peru S.A.C.	

29 **Group entities (continued)**[illegible]



## Notes (continued)

### 29 Group entities (continued)

Subsidiary undertakings	% of effective holding if not 100%	Subsidiary undertakings	% of effective holding if not 100%
<b>Thailand</b> 11th Floor, 2535 Sukhumvit Road, Kwaeng Bangchak, Khet Prakhong, Bangkok, 10260, Thailand AB Food & Beverages (Thailand) Ltd. ABF Holdings (Thailand) Ltd. 1 Empire Tower, 24th Floor, Unit 2412-2413, South Sathorn Road, Yannawa, Sathorn, Bangkok, 10120, Thailand AB World Foods Asia Ltd 229/110 Moo 1, Teparak Road, T. Bangsaothong, A. Bangsaothong, Samutprakarn, 10540, Thailand Jasol Asia Pacific Limited		SPI Polyols, LLC Twinings North America, Inc. 155 Federal Street, Suite 700, Boston MA 02110, United States Primark GCM LLC 158 River Road, Unit B, Clifton, NJ 07014, United States Balsamic Express LLC 158 River Road, Unit A, Clifton, NJ 07014, United States Modena Fine Foods, Inc.	
<b>Turkey</b> Aksakal Mahallesi, Kavakpinari, Kume Evleri No. 5, Bandirma- Balikesir, 10245, Turkey Mauri Maya Sanayi A.S.		<b>Uruguay</b> Cno. Carlos Antonio Lopez 7547, Montevideo, Uruguay Greensted, S.A. Levadura Uruguaya S.A.	
<b>United Arab Emirates</b> Office 604 <sup>th</sup> , Jafsa LOB 15, Jebel Ali Freezone, Dubai, PO BOX 17620, United Arab Emirates AB Mauri Middle East FZE		<b>Venezuela</b> Av. Rio Caura, Torre Humboldt, Piso 16, Of. 16-12. Urb. Prados del Este, Caracas, Estado Miranda Alimentos Fleischmann, C.A., Oficinas Once 3 (N° 11-3) y Once 4 (N° 11-4), Torre Mayupan, Centro Comercial San Luis, Av.Principal Urbanización San Luis, cruce con Calle Comercio, Caracas, Bolivarian Republic of Venezuela Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	
<b>United States</b> CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017, United States AB Mauri Food Inc. CT Corporation System, 1200 South Pine Island Road, Plantation FL 33324, United States AB Vista, Inc. The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States AB Enzymes, Inc. ABF North America Corp. ABF North America Holdings, Inc. Abitec Corporation ACH Food Companies, Inc. ACH Jupiter LLC B.V. ABF Delaware, Inc. Germaines Seed Technology, Inc. PGP International, Inc. Primark US Corp. SPI Pharma, Inc.		<b>Vietnam</b> Unit 2, 100 Nguyen Thi Minh Khai Street, Ward 6, District 3, Ho Choi Minh City, Vietnam AB Agri Vietnam Company Limited Km 102, Highway 20, La Nga Commune – Dinh Quan District, Dong Nai Province, Vietnam AB Mauri Vietnam Limited	66%
		<b>Zambia</b> Nakambala Estates, Plot No. 118a Lubombo Road, Off Great North Road, Zambia Illovo Sugar (Zambia) Limited Nanga Farms PLC Tukunka Agricultural Limited Zambia Sugar plc	66% 75% 75%

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 15 September 2018 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 15 September 2018. 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.

## Notes (continued)

### 29 Group entities (continued)

Abdale Finance Limited  
Primark Limited  
Primark Holdings  
Primark Pension Trustees Limited

#### Joint ventures

A list of the group's joint ventures as at 15 September 2018 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
<b>United Kingdom</b>		<b>China</b>	
<i>Weston Centre, 10 Grosvenor Street, London, W1K 4QY</i>		<i>1828 Tiejueshan Road, Huangdao District, Qingdao, Shandong Province, China</i>	
Frontier Agriculture Limited	50%	Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	25%
Boothmans (Agriculture) Limited	50%		
Forward Agronomy Limited	50%	<b>Finland</b>	
G F P (Agriculture) Limited	50%	<i>Tykkimäentie 15b (PO Box 57), Rajamäki, FIN-05201, Finland</i>	
GH Grain Limited	50%	Roal Oy	50%
GH2 Limited	50%		
Grain Harvesters Limited	50%	<b>France</b>	
Nomix Enviro Limited	50%	<i>59, Chemin du Moulin, 695701, Carron, Dardilly, France</i>	
North Wold Agronomy Limited	50%	Synchronis	50%
Phoenix Agronomy Limited	50%		
Soyl Limited	50%		
The Agronomy Partnership Limited	50%		
<i>1 Monkspath Road, Solihull, West Midlands B90 4FY</i>		<b>Germany</b>	
Tango Real Estate LLP	80%	<i>Brede 4, 59368, Werne, Germany</i>	
<i>Second Floor, 11 Waterloo Street, Birmingham B2 5TB</i>		UNIFERM GmbH & Co. KG	50%
Nurton Developments (Quintus) Limited	50%	INA Nahmittel GmbH	50%
<i>Fine Lady Bakeries Ltd, Southam Road, Banbury, Oxfordshire, OX16 2RE</i>		UNIFERM Verwaltungs GmbH	50%
Chiltern Bakeries Limited	44%	<i>Brede 8, 59368, Werne, Germany</i>	
<i>Berth 36, Test Road, Eastern Docks, Southampton, Hampshire, SO14 3GG</i>		UNILOG GmbH	50%
Southampton Grain Terminal Limited	25%		
<i>Kingseat, Newmacher, Aberdeenshire, AB21 0UE, Scotland</i>		<b>Poland</b>	
Grampian Crop Services Limited	50%	<i>ul. Wybieg, nr 5, lok 9, miesjsc, KOD 61-315, Poznan, Poland</i>	
Lothian Crop Specialists Limited	50%	Uniferm Polska Sp Z.o.o	50%
<i>1st Floor Offices, 10 Hereford Road, Abergavenny, Monmouthshire, NP7 5P</i>			
Brian Lewis Agriculture Limited	50%	<b>South Africa</b>	
<i>47, Beaumont Seymour &amp; Co, Butt Road, Colchester, Essex CO3 3BZ</i>		<i>1 Nokwe Avenue, Ridgeside, Umhlanga Rocks, Kwazulu Natal 4320, South Africa</i>	
Anglia Grain Holdings Limited	50%	Glendale Distilling Company	50%
<i>Riverside, Wissington Road, Nayland, Colchester, Essex, CO6 4LT</i>			
Anglia Grain Services Limited	50%	<b>Spain</b>	
<i>Unit 8, Burnside Business Park, Burnside Road, Market Brayton, TF9 3UX</i>		<i>C/ Raimundo Fernández, Villaverde 28, Madrid, Spain</i>	
B.C.W (Agriculture) Limited	50%	Compañía de Melazas, S.A.	50%
<i>Witham St Hughs, Lincoln, LN6 9TN</i>			
Nomix Enviro Limited	50%		
		<b>United States</b>	
<b>Australia</b>		<i>C T Corporation System, 2 North Jackson Street, Suite 605, Montgomery AL 36104, United States</i>	
<i>Level 1, Building A, 11 Talavera Road, North Ryde NSW 2113, Australia</i>		SOC Land Acquisition Company, LLC	50%
Fortnum & Masons Pty Limited	33%	Supreme Oil Company-South, LLC	50%
		<i>The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States</i>	
<b>Chile</b>		Stratas Foods LLC	50%
<i>Ave. Balmaceda 3500, Valdivia, Chile</i>		Stratas Receivables I LLC	50%
Levaduras Collico S.A.	50%	Supreme Oil Company LLC	50%
		Supreme Oil Company IC-DISC, Inc.	50%
		Supreme Oil Central, Inc.	50%

## Notes (continued)

### 29 Group entities (continued)

#### Associates

A list of the group's associates as at 15 September 2018 is given below. All associates are included in the group's financial statements using the equity method of accounting.

Associates	% holding		
<b>United Kingdom</b>		<b>Kenya</b>	
Bakers Basco Limited	20%	C. Czarnikow Sugar (East Africa) Limited	43%
C. Czarnikow Limited	43%	<b>Mauritius</b>	
Czarnikow Group Limited	43%	Sukpak Limited	30%
C. Czarnikow Sugar Futures Limited	43%	<b>Mexico</b>	
C. Czarnikow Sugar Limited	43%	C. Czarnikow Sugar (Mexico), S.A. de C.V.	43%
Sugarworld Limited	43%	Czarnikow Servicios de Personal, S.A. de C.V.	43%
Proper Nutty Limited	40%	<b>New Zealand</b>	
Vanneck Residential LLP	41%	New Food Coatings (New Zealand) Ltd	50%
Davidson Holdings Limited	23%	<b>Philippines</b>	
The Adventure Experience Limited	44%	New Food Coatings (Philippines) Inc.	50%
Sweaty Betty Investco Limited	30%	<b>Singapore</b>	
<b>Australia</b>		C. Czarnikow Sugar Pte. Limited	43%
Murray Bridge Bacon Pty Ltd	20%	<b>South Africa</b>	
Big River Pork Pty Ltd	20%	Gledhow Sugar Company (Pty) Limited	30%
New Food Coatings Pty Ltd	50%	<b>Tanzania</b>	
<b>Brazil</b>		Czarnikow Tanzania Limited	43%
Czarnikow Brasil Ltda	43%	Msolwa Mill Office, Kidatau, Tanzania	20%
<b>China</b>		<b>Thailand</b>	
C. Czarnikow Sugar (Guangzhou) Company Limited	43%	Newly Wed Foods (Trading) Limited	25%
<b>India</b>		Newly Weds Foods (Thailand) Ltd	50%
C. Czarnikow Sugar (India) Private Limited	43%	Czarnikow Thailand Limited	43%
<b>Indonesia</b>		<b>United States</b>	
PT Indo Fermex	49%	C. Czarnikow Sugar Inc.	43%
P.T. Jaya Fermex	49%		
PT Sama Indah	49%		
<b>Israel</b>			
Sucarim (Czarnikow Israel Sugar Trading) Ltd	43%		
Sucris Limited	21%		
<b>Italy</b>			
Czarnikow Italia Srl	43%		
<b>Associates</b>	<b>% holding</b>		

### 30 Subsequent events

#### Dividend

An interim dividend of £68.50 per share (£59m) was paid by Wittington after the year-end on 15 January 2019 to shareholders on the register on 5 December 2018.

Since the year end, ABF, a Wittington subsidiary, declared an interim dividend on 24 April 2019 of 12.05 pence per share.

#### Acquisition

After the year end, on 17 September 2018 the group completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia for cash consideration of A\$75m. In the year ended 30 June 2018, the business generated net sales of A\$51m and profit after tax of A\$4m. The fair value of assets recognised on acquisition was A\$35m including A\$35m of non-operating intangible assets in respect of brand and customer relationships, and A\$10m of related deferred tax.

## Notes (continued)

### 30 Subsequent events (continued)

#### ***Guaranteed Minimum Pension***

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 1979 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 ABF 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 group estimates the increase in liabilities at £14m, which will be recognised in the income statement in the 2019 financial year as the ruling is considered to be a non-adjusting subsequent event. This was assessed using market conditions as at 26 October 2018 since the High Court ruling on that date represented an IAS 19 plan amendment even if trustees changed scheme rules at a later date.

#### ***Impairment to Property, plant & equipment***

In ABF's 2018 Annual Report, it was noted that low bread prices and strong continuing competition in the UK bakery sector 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 ABF's 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. This notice is considered to be an adjusting subsequent event and, as such, the group considered its impact on the carrying value of Allied Bakeries in these financial statements in note 10.

**Company balance sheet**  
*at 15 September 2018*

	<i>Note</i>	<b>2018</b> <b>£m</b>	2017 £m
<b>Fixed assets</b>			
Investment property	3	3	12
Shares in subsidiary undertakings	4	1,036	1,036
		<hr/>	<hr/>
		1,039	1,048
<b>Current assets</b>			
Debtors: amounts falling due within one year	5	355	368
Other investments	6	37	30
Cash at bank and in hand		266	172
		<hr/>	<hr/>
		658	570
<b>Creditors: amounts falling due within one year</b>	7	(17)	(17)
		<hr/>	<hr/>
<b>Net current assets</b>		641	553
		<hr/>	<hr/>
<b>Net assets</b>		1,680	1,601
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	8	1	1
Share premium account		382	382
Profit and loss reserve		1,297	1,218
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		1,680	1,601
		<hr/>	<hr/>

The Company's profit for the 52 week period ended 15 September 2018 was £171m (52 weeks ended 16 September 2017 - £153m)

The financial statements on pages 67 to 71 were approved by the board of directors on 24 April 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 15 September 2018*

	Called up share capital £m	Share premium account £m	Profit and loss account £m	Total equity £m
<b>Balance at 17 September 2016</b>	<b>1</b>	<b>382</b>	<b>1,118</b>	<b>1,501</b>
Profit for the period	-	-	153	153
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	153	153
Dividends paid	-	-	(84)	(84)
<b>Balance at 16 September 2017</b>	<b>1</b>	<b>382</b>	<b>1,218</b>	<b>1,601</b>
Profit for the period	-	-	171	171
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	171	171
Dividends paid	-	-	(92)	(92)
<b>Balance at 15 September 2018</b>	<b>1</b>	<b>382</b>	<b>1,297</b>	<b>1,680</b>

## 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 15 September 2018.

#### 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 applicable United Kingdom accounting standards (UK GAAP) and the Companies Act 2006.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

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 15 September 2018 of £171m (2017: £153m).

#### 3 Investment property

	2018 £m	2017 £m
Balance at the beginning of the period	12	12
Additions	-	-
Transfer to subsidiary undertaking	(9)	-
Balance at the end of the period	3	12

#### 4 Shares in subsidiary undertakings

	Listed £m	Unlisted £m	Total £m
<i>At 15 September 2018</i>	345	691	1,036
<i>At 16 September 2017</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 (2017: 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 15 September 2018 the market value of the holding was £9,019 m (2017: £12,737m). 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 (2017: 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

	2018 £m	2017 £m
<i>Amounts falling due within one year</i>		
<i>Amounts owed by subsidiary undertakings</i>	346	363
<i>Corporation tax recoverable</i>	6	2
<i>Other debtors</i>	3	3
	355	368

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

#### 6 Other investments

	2018 £m	2017 £m
<i>Unlisted investments</i>	20	18
<i>Listed investments</i>	17	12
	37	30



## Notes (continued)

### 7 Creditors: amounts falling due within one year

	2018 £m	2017 £m
<i>Accruals and deferred income</i>	6	6
<i>Amounts due to subsidiary undertakings</i>	11	11
	<u>17</u>	<u>17</u>

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 15 September 2018 and 16 September 2017</i>	900,000	450,000
	<u>          </u>	<u>          </u>
<i>Issued and fully paid</i>		
<i>At 15 September 2018 and 16 September 2017</i>	862,022	431,011
	<u>          </u>	<u>          </u>

### 9 Subsequent events

An interim dividend of £68.50 per share (£59m) was paid after the year-end on 15 January 2019 to shareholders on the register on 5 December 2018.

Since year end, ABF, a Wittington subsidiary, declared an interim dividend on 24 April 2019 of 12.05 pence per share.