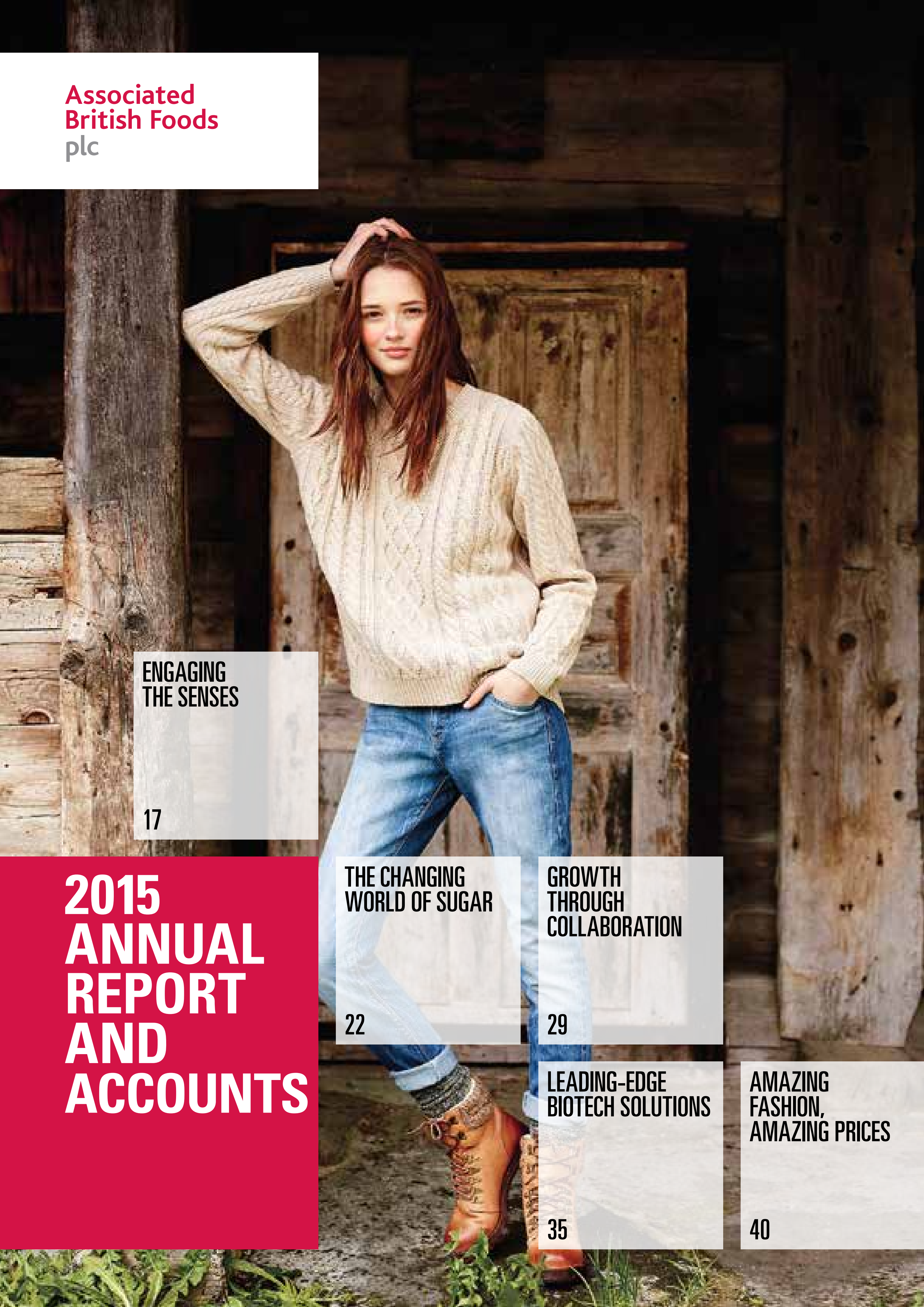
Associated British Foods plc



2015 ANNUAL REPORT AND ACCOUNTS

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STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

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

** Before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, profits less losses on sale and closure of businesses and exceptional items.

ABOUT US

Associated British Foods is a diversified international food, ingredients and retail group with sales of £12.8bn, 124,000 employees and operations in 48 countries across Europe, southern Africa, the Americas, Asia and Australia.

Group revenue
£12.8bn
Actual: -1%
Constant currency: +2%

Adjusted operating profit*
£1,092m
Actual: -6%
Constant currency: -4%

Adjusted profit before tax**
£1,034m
Down 6%

Adjusted earnings per share**
102.0p
Down 2%

Dividends per share
35.0p
Up 3%

Gross capital investment
£613m

Net debt reduced to
£194m

Operating profit
£947m
Down 12%

Profit before tax
£717m
Down 30%

Basic earnings per share
67.3p
Down 30%

2015 IN BRIEF

OUR YEAR IN REVIEW

AGRICULTURE

Delivering growth through innovation

Find out how continued investment in people and technology is driving ever greater customer value.

Pages 28 to 31 Operating review

INGREDIENTS

Substantial profit progress across the division

Bringing science to the art of baking and achieving growth through collaboration and applied technology – the ingredients for success.

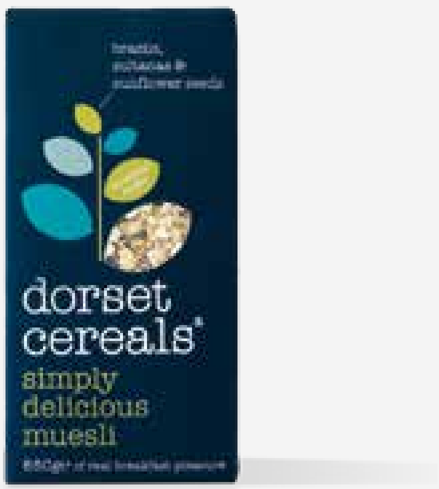
Pages 32 to 35 Operating review

GROCERY

Further development of our brands, including the acquisition of Dorset Cereals

The strength of the DON brand, redefining premium at Twinings, and lunch innovation at Allied Bakeries – just some of the exciting developments in Grocery.

Pages 12 to 19 Operating review



Case studies

Throughout the Strategic report, case study content is identified by this icon.

SUGAR

Continued progress against a backdrop of change

As EU sugar prices stabilise we explore the likely impact of the elimination of EU sugar quotas in 2017 and review some of the activity undertaken across the AB Sugar group.

Pages 20 to 27 Operating review

RETAIL

Expansion continues including major success in France

As it opens 20 new stores and trading goes from strength to strength, discover what Primark is doing to keep its customers coming back for more.

Pages 36 to 45 Operating review

OUR BUSINESSES AT A GLANCE

A DIVERSIFIED BUSINESS

THE GROUP OPERATES THROUGH FIVE STRATEGIC BUSINESS SEGMENTS:

GROCERY

Revenue
£3,177m 2014: £3,337m

Adjusted operating profit
£285m 2014: £269m

Adjusted operating profit margin
9.0% 2014: 8.1%

Return on average capital employed
22.5% 2014: 20.8%

International
Twinings and Ovaltine are our global hot beverage brands.

Europe
Silver Spoon and Billington's sugars, Jordans and Dorset cereals, Ryvita, Kingsmill, Patak's and Blue Dragon.

The Americas
Mazola is the leader in corn oil in the US. Capullo is a premium canola oil in Mexico. Tone's, Spice Islands and Durkee are US herbs and spices brands.

Australia
Ham, bacon and smallgoods under Don and KRC brands. Tip Top Bakeries produce a range of well-known breads and baked goods.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SUGAR

Revenue
£1,818m 2014: £2,083m

Adjusted operating profit
£43m 2014: £189m

Adjusted operating profit margin
2.4% 2014: 9.1%

Return on average capital employed
2.4% 2014: 10.5%

Europe
Our UK beet sugar factories produce well over one million tonnes of sugar annually. Azucarera in Spain typically produces over 400,000 tonnes of beet sugar each year and has a cane refining capacity of a further 400,000 tonnes.

China
We operate five cane sugar mills in Guangxi Province and two beet sugar factories in the north east of the country. Continuous investment has raised annual sugar capacity to over 800,000 tonnes.

Southern Africa
Illovo is Africa's largest sugar producer with agricultural and production facilities in six countries. Typical annual sugar production is 1.7 million tonnes.


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AGRICULTURE

Revenue

£1,211m 2014: £1,312m

Adjusted operating profit

£60m 2014: £50m

Adjusted operating profit margin

5.0% 2014: 3.8%

Return on average capital employed

19.2% 2014: 17.3%

AB Agri operates at the heart of the agricultural industry. Its unique breadth and experience enable it to add value all along the food, drink and biofuel industry supply chains.

AB Agri supplies products and services to farmers, feed and food manufacturers, processors and retailers. It also buys grain from farmers and supplies crop inputs through its joint venture arable operation, Frontier Agriculture.

We employ more than 2,200 people in the UK and China and market products in more than 65 countries worldwide.

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INGREDIENTS

Revenue

£1,247m 2014: £1,261m

Adjusted operating profit

£76m 2014: £41m

Adjusted operating profit margin

6.1% 2014: 3.3%

Return on average capital employed

11.1% 2014: 5.8%

Yeast and bakery ingredients
AB Mauri operates globally in yeast and bakery ingredients production with 52 plants in 26 countries supplying plant and artisanal bakers and the foodservice and wholesale channels. It is a technology leader in bread improvers, dough conditioners and bakery mixes.

Speciality ingredients
ABF Ingredients focuses on high-value ingredients for food and non-food applications. It manufactures and markets enzymes, lipids, yeast extracts and cereal specialities worldwide with manufacturing facilities in Europe and the US.

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RETAIL

Revenue

£5,347m 2014: £4,950m

Adjusted operating profit

£673m 2014: £662m

Adjusted operating profit margin

12.6% 2014: 13.4%

Return on average capital employed

31.1% 2014: 33.2%

Primark
Primark is a major retail group employing 61,000 people. It operates stores in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France and the US.

It offers customers quality, up-to-the-minute fashion at value-for-money prices.

Buying and merchandising teams in Dublin (Republic of Ireland) and Reading (UK) travel internationally to source and buy fashion items that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

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CHAIRMAN'S STATEMENT

A STRONG PERFORMANCE BY ALL BUSINESSES DESPITE CURRENCY AND COMMODITY CHALLENGES

This financial year has been characterised by continuing investment in businesses with growth opportunities and a relentless drive for improved efficiencies and cost reduction.

The two major challenges facing the group have been well flagged – food commodity deflation and substantial movements in currency markets.

A key influence on our food businesses has been deflation in many of our major commodities, making growth in revenues difficult to achieve. The most notable examples are the substantial declines in both the EU and world sugar prices. We have also experienced significant movements in exchange rates with a strengthening of sterling and the US dollar, and a weakening of the euro and emerging market currencies. These movements had a negative effect on the translation of overseas results but also, and increasingly as the year progressed, on transactional exposures.

Against this background a 2% decline in adjusted earnings per share is all the more creditable and the group continued to generate strong cash flows and reduce net debt significantly as a result.

This year has seen growth for a number of our businesses. Primark expanded its retail selling space by 9% this year with a major increase in its presence in Germany, Belgium and the Netherlands and at the end of the year it opened its first store in the US. Brand development at our Grocery businesses included a major relaunch of Twinings black teas in the UK, growth for Mazola, driven by strong advertising of its cholesterol lowering benefits, and commercial success for the Don meat brand in Australia. Our enzyme business went from strength to strength and was a key contributor to the profit increase in Agriculture and Ingredients. We continue to position our businesses to enable them to maximise revenue growth opportunities.

The EU sugar price has stabilised in the latter part of the year. However, the significant fall both in EU and world sugar prices has put considerable strain on the world sugar industry and has sharpened our focus on securing the long term profitability of our business. As one of the lowest cost producers we have always sought to reduce costs and maximise production efficiency and significantly,

CHARLES SINCLAIR, CHAIRMAN

A RESPONSIBLE BUSINESS

Our Corporate Responsibility Update outlines our values and good business practice, and our commitment to improving productivity while managing our footprint

abf.co.uk/responsibility

this year, we have secured lower future beet costs for our EU sugar businesses and closed two uneconomic factories in Heilongjiang, China.

Cost reduction was not confined to our Sugar businesses. The substantial profit and margin recovery in Ingredients and margin improvement in Grocery were also driven by wide ranging initiatives in these businesses.

We continued to invest for the long term with gross capital expenditure on property, plant, equipment and intangible assets of £613m. Over half of this was spent on Primark's expansion where, this year, we added 20 new stores and almost one million square feet to the estate. We expect next year's increase to be even greater. We also increased the scale of Primark's distribution infrastructure to support this growth by extending existing warehouse capacity and opening new facilities in the Czech Republic and the US. The focus of our capital expenditure within the food businesses was directed at expansion of capacity-constrained facilities and on improving production efficiency.

Cash flow was again strong this year despite a working capital outflow driven by higher sugar stocks. Net debt at the year end was £252m lower than last year at £194m. With the group's cash generating ability, the lower net debt and the committed borrowing facilities available, we have the capacity to meet our growth ambitions.

Corporate responsibility

At the heart of our group is the very simple philosophy that helping to feed and clothe people is a virtuous and valuable endeavour. Our approach to ensuring that we provide our customers with high-quality, ethically sourced products in a responsible manner is described in our latest Corporate Responsibility Update which is published today and is available on the group's website at www.abf.co.uk/responsibility.

The board

The Senior Independent Director, Tim Clarke, was appointed to the board in 2004 and, in accordance with the UK Corporate Governance Code, having completed nine years' service in 2013, the rest of the board must now confirm his independence annually. This having been done, we are delighted that Tim has agreed to continue as a member of the board and as the Senior Independent Director.

Javier Ferrán completed nine years on the board at the beginning of November 2015 and has agreed to continue as a director but retired from the Audit committee at the conclusion of its meeting on 26 October. The rest of the board has considered, and subsequently confirmed, his continuing independence. Lord Jay has also completed nine years on the board and will retire at the end of November. We have benefited greatly from the breadth of Michael's experience and I would like to record my thanks to him for his wise counsel and highly valued contribution to the board over the years.

In January we welcomed Wolfhart Hauser to the board as a non-executive director and he was appointed to the Audit committee in April. Dr Hauser was chief executive officer of Intertek Group plc until his retirement in May 2015, and during his career he led a broad range of successful international service industry businesses. He is currently a non-executive director of RELX Group plc, formerly Reed Elsevier, and chairman of FirstGroup plc.

Employees

This year's success is testament to the resilience and resourcefulness of our employees who, in many of our businesses, and particularly in Sugar, have been operating in difficult market conditions. I would like to thank them all for their valuable contribution, particularly to the various continuous improvement initiatives that have led to substantial cost reduction across the group this year. These required a robust challenge to historic practices, innovation and creativity, and an absolute determination to succeed, all of which underpinned delivery of this year's result.

Auditors

KPMG or one of its predecessor firms has been our auditor since the Company was incorporated in 1935. In light of the new requirements of the UK Corporate Governance Code, the external audit of the group financial statements was put out to tender during the year and the board has now appointed Ernst & Young LLP as the Company's new auditor with effect from 4 November 2015, subject to approval by shareholders at the annual general meeting. I would like to take this opportunity to thank KPMG for their unstinting professionalism, for the insight that they have brought and the value that they have added to our businesses during their 80 year tenure.

Dividends

I am pleased to report that a final dividend of 25.0p is proposed, to be paid on 8 January 2016 to shareholders on the register on 11 December 2015. Together with the interim dividend of 10.0p paid on 3 July 2015, this will make a total of 35.0p for the year, an increase of 3%.

Outlook

The good underlying trading achieved by our businesses in 2015 is expected to continue.

We intend to maintain investment in expansion opportunities, most notably for Primark. After three years of large profit declines for AB Sugar, we expect greater stability in profit next year ahead of EU quota removal in 2017. However, the substantial moves in exchange rates last year, notably the weakening of the euro and emerging market currencies, will have a significant influence on the results for the coming year. At current rates the translation impact would be at a similar level to last year but the transactional impact would be greater and will be seen primarily in Primark and British Sugar.

At this early stage we expect the currency pressures to lead to a modest decline in adjusted operating profit and adjusted earnings for the group for the coming year.

Charles Sinclair
Chairman

CHIEF EXECUTIVE'S STATEMENT

GEORGE WESTON, CHIEF EXECUTIVE

WE DELIVERED A STRONG OPERATIONAL PERFORMANCE THIS YEAR

I am pleased with the trading performance and the progress made by each of our businesses this year.

Grocery, Agriculture, Ingredients and Retail all increased their profits. Sugar profit was, as expected, substantially lower than last year as a result of much weaker euro-denominated EU sugar prices, but the business made great strides in reducing operating costs.

Group revenue declined by 1% to £12.8bn but was 2% higher at constant currency. Adjusted operating profit was 6% lower at £1,092m, and 4% lower at constant currency.

The international diversity of the group means that our businesses operate and transact in many currencies and are therefore subject to both translational and transactional currency exposures. During the financial year, against a basket of currencies, the euro and emerging market currencies weakened significantly and the US dollar and sterling both strengthened. The full year impact of these movements in exchange rates on the translation of overseas results into sterling was £31m.

In order to understand the underlying operating performance of each of our businesses, in the operating review we have referred to year-on-year changes at constant currency.

Food commodity price deflation was the primary reason for the decline in revenues in each of our food businesses this year and was also the major driver of the big decline in profit at AB Sugar.

This is the third year of significant profit decline for AB Sugar as a consequence of falling EU and world sugar prices. It is encouraging that EU prices have now stabilised and the steps we have taken, and continue to take, to reduce our cost base, are aimed at creating a profitable business at these price levels and in a post-quota environment in the EU.

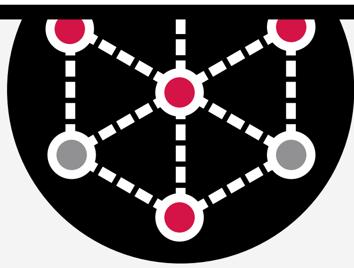
We took the opportunity to increase our ownership of Vivergo Fuels this year. This is a well-invested, cost-competitive asset, with a promising longer-term outlook. As the existing supplier of grain to the business through Frontier Agriculture and as the seller of its distillers' grains through AB Connect, we are well placed to maximise the returns from this business.

The development of our Grocery businesses this year was reflected in the improvement in the overall operating margin to 9%. The acquisition of Dorset Cereals has brought us a strong consumer brand with exciting growth potential that complements Jordans and Ryvita. Twinings Ovaltine had yet another year of excellent profit growth with much activity promoting the premium qualities of the Twinings brand. After a difficult first half of the year which was affected by higher cost and poor quality raw materials, I am very encouraged by the progress made by our Australian meat business, Don KRC, both in volume gains and improved factory efficiency. Pricing became tougher for our bread businesses in the UK and Australia. Volumes for the UK business increased steadily during the year leading to high utilisation of our well-invested bakeries.

Profit in Ingredients recovered even more strongly this year as the new management team at AB Mauri, our yeast and bakery ingredients business, made further progress in reducing its cost base and restructuring its operations in China and Europe. A major contribution was also made by our enzymes business which had a highly successful year with growth in a number of its markets.

OPEN FOR BUSINESS IN BOSTON!

On 10 September 2015 Primark planted its first flag on US soil with the opening of a 77,000 sq ft store at Downtown Crossing in Boston.



A DIVERSIFIED BUSINESS

With operations in 48 countries and a diverse portfolio of businesses of varying scale, operational decisions are made locally by the people with the best knowledge of their markets.

AB Agri delivered another great result and deserves credit for its consistently strong performance over the last five years driven by innovation, diversification and geographic expansion.

The exciting expansion of Primark is very much on track with the addition of nearly one million square feet of selling space, the opening of our first store in the US at the end of the year, and the announcement that we will be opening in Italy next year. Trading in France was very strong and built on the highly successful market entry in 2014. Like-for-like sales growth was good at 1%, albeit held back by the effects of a strong store opening programme in the Netherlands and Germany. Following Primark's exceptional trading last year, we saw a return to a more normal level of markdowns this year and margin was lower as a result.

George Weston
Chief Executive

GROUP BUSINESS MODEL AND STRATEGY

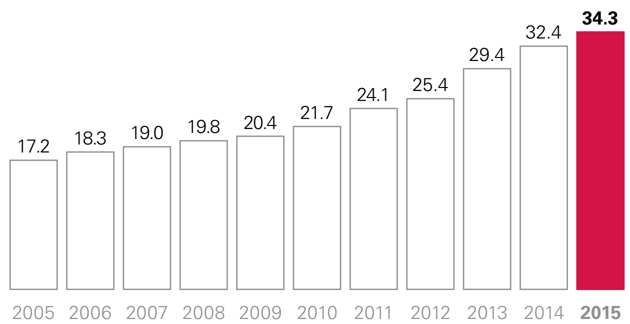
ASSOCIATED BRITISH FOODS IS A DIVERSIFIED GROUP OF FOOD, INGREDIENTS AND RETAIL BUSINESSES

We sell into more than 100 countries worldwide with operations in 48 countries across Europe, southern Africa, the Americas, Asia and Australia.

Our range of activities is broad in product, technology and market scope. Our businesses comprise sizeable operations that achieve good revenue and profit growth; mature, cash-generative operations; and smaller enterprises that afford exciting growth potential.

In our markets, we aim to achieve strong and sustainable positions through a combination of organic growth, acquisition of complementary new businesses and achievement of high levels of operating efficiency. We provide high-quality, value-for-money food and clothing that are central to people's lives.

History of dividends paid (pence per share)

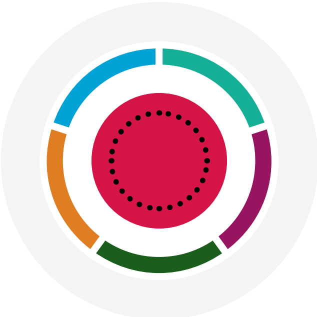


STRATEGY

The corporate centre agrees strategy and budgets with the businesses and monitors their performance closely.

The group balance sheet is managed to ensure long-term financial stability, regardless of the state of capital markets, and capital funding is made available to all of our businesses where returns meet or exceed clearly defined criteria. The centre provides selected services where the scale of its operations enables a more cost-effective or efficient delivery, where expertise that might not be available at a business level can be retained by the group, or where the provision of such services would otherwise distract business executives. Such services include investor relations, pensions, insurance, legal support, tax and treasury management, where specialist expertise is brought together in one place for the benefit of the group as a whole. The centre also co-ordinates selected value-added capabilities to support the businesses in their local markets such as talent management and development, procurement, and the sharing of best practice in, for example, health and safety or engineering risk management. We operate to high ethical standards as an organisation and expect the same of our employees. We encourage an open and honest culture in all our dealings and ensure that our core values are fully implemented throughout the group.

Pages 10 and 11 Business strategies

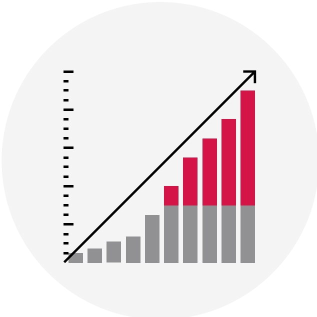


BUSINESS STRUCTURE

Our businesses are organised so that they are close to the markets and customers that they serve.

They are managed as five business segments that bring together common industry expertise, operational capability and market intelligence. Operational decisions are made locally because, in our experience, they are most successful when made by the people who have the best understanding of their markets and who have to implement them. The corporate centre aims to provide a framework in which our business leaders have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair. The centre is small and uses short lines of communication to ensure prompt, incisive and unambiguous decision-making. It seeks to ensure that business activities are appropriately monitored and supported.

Pages 12 to 45 Operating review



ORGANIC GROWTH

Organic growth is achieved through investment in marketing, in the development of existing and new products and technologies and in targeted capital expenditure to improve efficiency and expand capacity.

We are committed to innovation, the continuous pursuit of improvement and the maintenance of our efficient manufacturing capability.

We aim to operate in a sustainable, ethical, efficient and safe manner. We have a strong culture of continuing operational improvement and focus on delivering exceptional quality and customer service. The group takes a long-term approach to investment and is committed to increasing shareholder value through sound commercial, responsible and sustainable business decisions that deliver steady growth in earnings and dividends.

Acquisitions are made to complement existing business activities and to exploit opportunities in adjacent markets or geographies.

BUSINESS STRATEGIES

PROVIDING OUR BUSINESS LEADERS WITH THE FREEDOM AND DECISION-MAKING AUTHORITY TO PURSUE OPPORTUNITIES WITH ENTREPRENEURIAL FLAIR

Five business segments that bring together common industry expertise, operational capability and market intelligence.

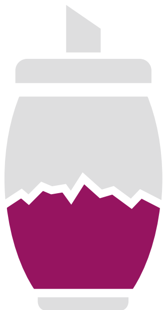
GROCERY

An enviable portfolio of leading food brands

Each of our Grocery businesses pursues an independent strategy, appropriate to its particular market position and stage of development. As examples, Jordans Ryvita is focused on developing its brands in its core markets, whilst AB World Foods has had considerable success extending its reach into new and emerging markets.

All of these 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. Our production facilities are well maintained and we take a long-term approach to capital investment, recognising the merits of building for the future. Acquisitions are undertaken when opportunities are presented to either strengthen or complement existing businesses.

Pages 12 to 19 Operating review



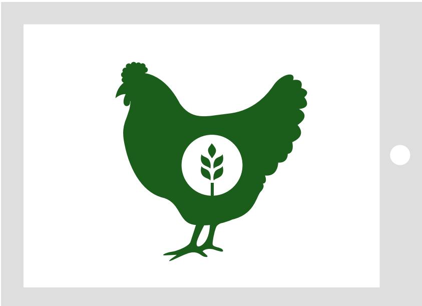
SUGAR

A world-leading sugar business focused on excellence

AB Sugar is an advanced manufacturer and has a simple vision to be a world-leading sugar business. We must remain cost competitive whilst exceeding the demanding and diverse needs of our customers, and we must grow sustainably.

AB Sugar aims to achieve growth through excellence in agriculture and operations including the application of new technologies and the further expansion of co-product opportunities. We seek to ensure cost leadership in our various regional supply chains through: engagement with growers to ensure optimum beet/cane growing whilst providing fair returns to growers; continual improvement in operating performance by maintaining a well-invested asset base; and by seeking out best practice to optimise product quality and the efficiency of the conversion process.

Pages 20 to 27 Operating review



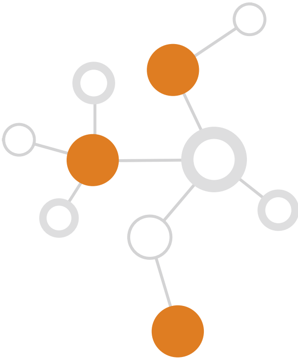
AGRICULTURE

Driving value for businesses along the food supply chain

As a unique community of leading agricultural businesses, AB Agri's goal is to improve the sustainability of food production. We work in partnership with customers to continually explore new ways of making agri-food production more efficient. AB Agri 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 through extending the business's already broad geographic reach into new territories. Using the diverse breadth of products, services and people within the AB Agri community, the business develops bespoke solutions tailored to its customers' needs. Extending this into new geographies and into new areas that are adjacent to its core capabilities affords further growth opportunities. 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 ABF group to harness new contacts and technologies.

Pages 28 to 31 Operating review



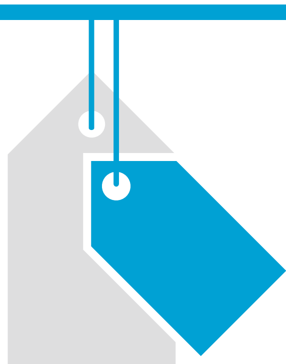
INGREDIENTS

Technology and innovation to meet customer needs

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

Each business has its own business model that determines an appropriate balance of emphasis across the full range of potential sources of competitive advantage: innovative and distinctive products; an efficient and proprietary set of production processes; and compelling customer propositions comprising a blend of product performance and customer specific services.

Pages 32 to 35 Operating review



RETAIL

Up-to-the-minute fashion at amazing prices

Primark offers great value for money which it achieves by: incurring no advertising costs, instead relying on its customers 'doing the talking' about its products; 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 to enable its stores to replenish stocks quickly; and by not compromising its high-quality standards, rigorously testing products at the various stages of production.

In the world of fashion it is critical that once a style is seen on the fashion show catwalk it reaches the stores as quickly as possible. It can take as little as six weeks from initial design concept to being available on shelf, and merchandise is sourced from all corners of the globe. 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.

Pages 36 to 45 Operating review

GROCERY

BRINGING YOU

GREAT BRANDS, FROM BREAKFAST TO BEDTIME

About Grocery: Grocery comprises consumer-facing businesses that manufacture and market a variety of well-known brands both nationally and internationally. Twinings Ovaltine has the broadest geographical reach, selling premium teas and malted beverages in more than 100 countries.

GREAT BRANDS

AB World Foods focuses on the creation and development of world flavours and its Patak's and Blue Dragon branded products are sold internationally. Westmill Foods specialises in supplying UK restaurants and wholesalers with high-quality ethnic foods including rice, spices, sauces, oils, flour and noodles under brands such as Rajah, Lucky Boat and Elephant.

Jordans and Ryvita operates in the better-for-you cereal and savoury biscuits categories in the UK but with increasing international presence. Jordans has a heritage of using traditional methods in the production of its wholegrain cereals and cereal bars. Ryvita has built a strong reputation in healthy snacking and is the UK category leader in crispbreads. Allied Bakeries produces a range of bakery products under the Kingsmill, Sunblest, Allinson and Burgen brands, with flour and semolina produced by sister company, Allied Mills. Speedibake specialises in own-label baked goods for retail and foodservice customers. Silver Spoon and Billington's are our two retail sugar brands in the UK, complemented by a range of dessert toppings and syrups under the Askeys and Crusha brands.

In Australia, Tip Top is one of the country's most recognised brands, with an extensive range of bread and baked goods and George Weston Foods also manufactures a variety of bacon, ham and meat products including the Don and KR Castlemaine brands. ACH Foods includes within its range of branded products, Mazola, the leading corn oil in the US, Capullo, a premium canola oil in Mexico and a collection of herbs, spices and corn-derived products.

GROCERY

FROM TWININGS TEAS TO DORSET CEREALS – WE HAVE AN ENVIABLE PORTFOLIO OF LEADING FOOD BRANDS

Revenue
£3,177m
2014: £3,337m
Actual fx: -5%
Constant fx: -3%

Adjusted operating profit
£285m
2014: £269m
Actual fx: +6%
Constant fx: +5%

Adjusted operating profit margin
9.0%
2014: 8.1%

Return on average capital employed
22.5%
2014: 20.8%

Grocery operating profit increased by 5% at constant currency with Twinings Ovaltine and our US vegetable oils business well ahead of last year. Revenues were 3% lower, held back by commodity price deflation, leading to an increase in margin.

Twinings Ovaltine grew market share in a number of regions and generated a strong profit increase. In the UK, where the market for mainstream teas saw some contraction, Twinings' sales of premium teas grew. Black tea packaging formats were relaunched, including a premium, loose-leaf, mesh teabag range, driving UK market share to an all-time high. Australia also had another successful year with the relaunch of the English Breakfast range supported by advertising and in-store promotion. Ovaltine sales in Thailand, one of its most important markets, were lower than last year on the back of economic weakness, although margins improved as less volume was sold on promotion. Growth was achieved in Ovaltine's developing markets, particularly south east Asia and Nigeria. Strong factory performances across the business delivered lower manufacturing conversion costs, and overheads were also lower benefiting from cost reduction initiatives.

DORSET CEREALS

In October last year we acquired Dorset Cereals, a leading muesli brand in the UK that has generated significant market growth over the past ten years with a range of stylish packaging designs and recipes made with delicious natural ingredients like 'luscious berries & cherries muesli'.

The Dorset Cereals brand is a perfect fit for Jordans, Dorset & Ryvita (as the business is now known) given their expertise in creating cereals made from wholegrains; as well as their obvious association with the beautiful county of Dorset, which has been home to Ryvita since 1948.

Dorset Cereals continues to be based at its home village of Poundbury in Dorset, and now benefits from the increased scale and cumulative expertise of the wider Jordans, Dorset & Ryvita business community. The acquisition has helped to create one of the most innovative and dynamic wholegrain cereal businesses in the UK that is perfectly positioned to benefit from long-term consumer trends towards more healthy, premium foods.

Sales volumes at Allied Bakeries increased over the financial year although the UK bread market continued to be very challenging and lower bread prices resulted in a reduction in profitability. The Kingsmill brand was relaunched in May with new packaging across the range. Following last year's highly successful launch, revenues from Sandwich Thins continued to build and benefited from the addition of a wholemeal variant to the range. We completed our major capital investment programme during the year, introduced a variety of initiatives which reduced waste and further streamlined production, and delivered products of a consistently high quality throughout the year.

Silver Spoon substantially improved operational efficiency this year and achieved commercial success with increased volumes to the major UK retailers. In the home baking sector, Allinson maintained its position as the leading bread flour brand. Since its acquisition in October 2014, Dorset Cereals has traded ahead of our business plan and its integration with Jordans Ryvita went smoothly. The business gained market share and three products won 2015 Great Taste awards. Jordans continued to perform well, also gaining market share in the UK and launching very successfully in Australia. It also launched its Jordans Farm partnership in conjunction with LEAF (Linking Environment and Farming) and the Wildlife Trust ensuring improved sustainability and biodiversity on the farms of our oat suppliers. Ryvita had a more difficult year with lower crispbread sales in a competitive market. The introduction of a second sweet crispbread variety, Apple & Cinnamon, was well received and Ryvita Thins continued to grow strongly.

THE STRENGTH OF THE DON BRAND

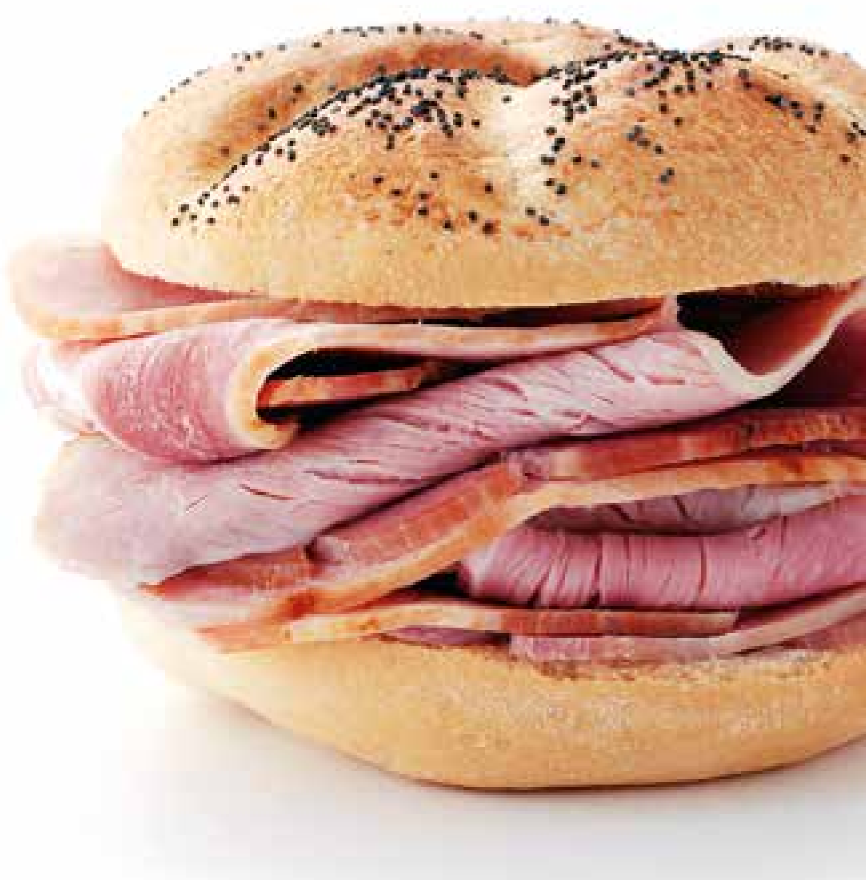
The last few years have been challenging for the George Weston Foods meat business in Australia but in the last 12 months the DON brand has achieved a substantial improvement in performance. A key element of the turnaround has been the development of strategies, in partnership with our key retailers, to optimise the deli and chilled cabinet fixtures in store. Sales growth and margin improvement have been delivered through a focus on quality, by increasing the range of products on offer, and by highlighting the brand's key attributes.

The retail chiller aisle in Australian supermarkets is an area where prepacked smallgoods (ham, bacon, frankfurters, salami etc.) have historically underperformed against global benchmarks. Shopper research confirmed that the aisle was difficult to shop and the range lacked breadth, appeal and inspiration. As Australia's best known and preferred smallgoods brand, DON took the lead in transforming the shopping experience. Strategies to drive increased volume included: redesigning the way products are presented on shelf; improving the value of everyday ham; creating a premium quality tier; expansion into new categories; and increasing marketing and media investment.

In pre-pack ham, where DON continues to be the market leader, we launched a 'premium tier' with the addition of a Smokehouse Deli Style product to the range. We also gave the consumer more choice by introducing a wider range of pack sizes. Category staples such as frankfurters were reinvigorated with improved pack formats, new beef varieties and innovation through DON Kransky Slims. The move to gas flushed packaging and shelf-ready shippers for bacon significantly improved DON's presence on shelf as well as improving the overall appearance of the bacon category.

We have also taken the DON brand into new segments with a range of cooking ingredients, including diced bacon, ham and chorizo; and the launch of DONSKI salami sticks for anytime convenient snacking.

The results have seen a resurgence in DON brand awareness and increased consumer preference. DON smallgoods sales grew by 10% over the prior year with an increased retail market share, and there are more opportunities still to pursue.



GROCERY

ENGAGING THE SENSES WITH OUR PREMIUM BLENDS

Twinings is about creating brands people love – winning hearts and minds by delivering inspiring tea experiences.

Central to our strategy is the continual refinement of our products and packs – developing teas and infusions that truly delight. In so doing, we are capitalising on an accelerating trend in consumer tastes across many markets, away from standard, traditional products towards more rewarding, premium brands and formats.

This year, both within the UK and internationally, Twinings launched new premium ranges of large leaf teas in transparent mesh bags, housed in striking and original packaging. Our master blenders have drawn on their expertise, and inspiration from their travels, to craft a range which engages the senses; beautiful, arresting teas and infusions, combined with uplifting aromas that create a taste adventure in every sip.

We use all our skill and experience to conjure up wonderful worlds, telling stories about our teas that fire the imagination and leave people eager to explore further. We have successfully attracted tea consumers who are seeking something more fulfilling than their usual cup, and those inspired to try tea, perhaps, for the first time.

It's part of how we redefine what tea can be, and as a result, inspire a new generation of tea drinkers.

GROCERY

EXPANDING THE LUNCH OCCASION

In response to market trends, Kingsmill extended its range in Sandwich Alternatives with the launch of Kingsmill 'Sandwich Thins' in September 2014. This is a light-textured, pre-sliced bakery product that offers consumers something different to liven up their lunch.

The Sandwich Thins sector is currently the fastest growing part of the bakery category, with sales growth of 45% year-on-year. Already worth an impressive £65m per annum, the sector is expected to achieve significant further growth.

Kingsmill Sandwich Thins are produced at Allied Bakeries' Glasgow bakery, following an investment in a completely new manufacturing facility. Three variants are currently available; White, Wholemeal and 50/50 – made from a blend of white and wholemeal flour.

Loyal Kingsmill shoppers were encouraged into this growing product area and, to support the product launch, a TV advertising campaign ran over January and February 2015. This proved successful in driving trial and repeat purchase and just nine months after launch, Kingsmill achieved a share of the Sandwich Thins sector of over 25%.

The introduction of Kingsmill Sandwich Thins has also had a positive impact on the overall bakery market, helping retailers to stimulate interest in the category and adding value to the bakery aisle in store.

Growth in the Sandwich Thins market sector year on year

45%

At AB World Foods, Patak's and Blue Dragon maintained their positions as the leading Indian and Oriental ambient brands in the UK. An improved sales mix drove an overall margin increase and operating profit was ahead of last year. The business achieved further growth in its export markets with particular success for Patak's in Australia and Canada. The UK ethnic restaurant and takeaway market has seen some improvement after several years of decline, with increased consumer expenditure on out-of-home eating. Westmill achieved margin improvement with its Chinese catering brands performing particularly well driven by strong commercial activity.

Revenue and operating profit at George Weston Foods in Australia were in line with last year. Tip Top bread volumes increased but margins fell as retailers featured bread in their drive for lower prices with heavy price promotion activity more than offsetting the benefits of cost reduction and productivity improvements across all bakery sites. Margins in the Don KRC meat business were affected by the high cost of bought-in raw materials in the first half, but improved substantially in the second driven by higher volumes, lower-cost raw materials and improved production efficiency. The management team remains focused on driving continued improvement in sales and factory performance.

At ACH in North America, Mazola achieved good volume growth following increased investment in advertising and marketing which highlighted the cholesterol-lowering benefits of corn oil. A better sales mix saw margins improve in the Flavours business, and Foodservice continued its steady growth driven by an improved economic climate.

LUCKY BOAT NOODLES

Westmill Foods is a specialist food company, serving the chefs and owners of Chinese and Indian restaurants and takeaways, as well as a diverse range of Indian, Pakistani, Bangladeshi, Chinese, African and Caribbean consumers.

One of its leading brands is Lucky Boat, a wheat noodle used by Chinese chefs and noodle bars. Lucky Boat sales have grown each year since 2007 and it is now the UK's number one noodle with a brand share of 64% within the Chinese restaurant market.

Over this period Westmill has made a considerable investment in its manufacturing site in Manchester, to improve product quality, production efficiency and capacity, ensuring that Lucky Boat delivers consistency for chefs. Working with Chinese customers and chefs alike, Westmill has demonstrated that because they are easier to prepare and cook, there are considerable savings to be made by using Lucky Boat noodles. This has made the brand particularly popular with noodle bars where there is less time to prepare dishes.

Westmill now has a dedicated team working in communities with restaurant and takeaway owners to help develop new recipes and to market their businesses at a local level.

SUGAR

CONTINUED PROGRESS IN SUGAR

THE CHANGING WORLD OF SUGAR
page 22

CEMENTING OUR REPUTATION FOR INNOVATION
page 25

About Sugar: AB Sugar is a leading business in the expanding international markets for sugar and sugar-derived co-products.

In the EU, Azucarera is the major producer in Iberia and British Sugar is the sole processor of the UK sugar beet crop and is one of Europe's most efficient processors. Illovo Sugar, in which the group has a 51% stake, is the largest sugar processor in Africa and is one of the world's foremost low-cost producers. We also have substantial businesses in China producing cane sugar in the south and beet sugar in the north-east. The group currently operates in ten countries and has 29 plants with the capacity to produce over 5 million tonnes of sugar and 600 million litres of ethanol annually.

We also have the capacity to generate power sufficient to meet most of our internal needs and, in a number of locations, we export power into the local grid.

As a consumer of a large quantity of agricultural inputs, we have a number of programmes to maximise crop yields whilst also minimising the usage of herbicides, pesticides and water. This applies equally to our out-grower estates, funded jointly with our growers, as well as our own farms. We seek to ensure the early transfer of technology and best practice across AB Sugar.

We are a significant employer in each of our countries of operation, some of which are among the least developed in the world. AB Sugar seeks to ensure the wellbeing of all its employees, their families and the wider community and in the developing countries we provide more wide-ranging social support including the provision of hospitals, schooling, housing and healthy living programmes.

SUGAR

THE CHANGING WORLD OF SUGAR

European Farm Ministers have agreed to the final abolition of the system of EU sugar production quotas from 1 October 2017 and many commentators have described the situation that will likely prevail thereafter. The consequences of these changes can, to some extent, be informed by what happened during the last round of regulatory changes.

2006 REFORM – THE START OF THE PROCESS

The first round of changes moved the EU sugar market from surplus to structural deficit with the aim of providing increased access for exports from the world's least developed countries (LDCs) and the Africa, Caribbean and Pacific (ACP) countries associated with the EU. By reducing support prices for both sugar and sugar beet, the changes also sought to increase competition amongst EU producers. To facilitate the process, a self-financing restructuring scheme was introduced to encourage high cost businesses to rationalise and to reduce surplus capacity. When the structural changes were complete, however, the EU market experienced major price shifts the like of which had not been anticipated. First, the reduction in EU production and exports reduced sugar availability on a global scale as non-EU countries were unable to increase production to fill the gap. World prices subsequently rose to 30-year highs reducing the attractiveness of sales to the EU and hence, supplies for the EU market. The Commission then applied exceptional measures in an attempt to fill the EU supply deficit and check price increases.

However, the level of bids for additional supplies meant that EU prices did not reduce as much as expected. As a result, the exceptional measures were extended even when supplies had been restored to more normal levels, then resulting in over-supply in the EU. Following four years of global surpluses coupled, more recently, with the dramatic weakening of the Brazilian real against the US dollar, world sugar prices weakened substantially and EU sugar prices plummeted to the levels that we see today.

All suppliers to the European market have been affected by these changes including beet growers, processors, preferential exporting countries and refiners. Across the industry substantial restructuring and investment programmes have been implemented to improve efficiency and meet these challenges.

So what then of the 2017 changes?

AFTER 2017 – 'A SUBSTANTIALLY DEREGULATED SECTOR'

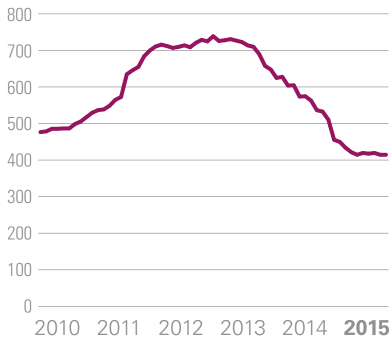
The final round of changes to the EU sugar regime in 2017 will abandon production quotas, remove minimum beet prices and abolish the artificial distinction between sugar sold for food and industrial applications in the EU. Furthermore, World Trade Organization (WTO) export constraints will no longer be applicable to European producers following the abolition of quotas.

In short, the EU sugar market will become more volatile. However, it should be noted that WTO-governed import duties for non-preferential sugars into the EU will remain in place. Sugar companies will be free to increase production, and so too will starch producers be able to increase production of caloric sweeteners, further increasing EU supplies.

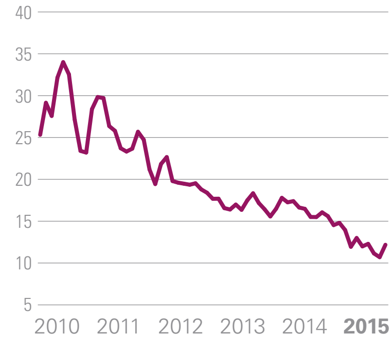
When world market prices are high, EU sugar can be exported and when low, supply will exceed demand. As a consequence, sugar prices in the EU are likely to move more in line with world prices than has previously been the case.

In such a dynamic market, increased pressure will be placed on the competitiveness of the total EU sugar supply chain. Growers, processors, haulage companies and other key stakeholders will need to ensure the competitiveness of their component offerings in order to maintain the ability of the sugar industry as a whole to compete.

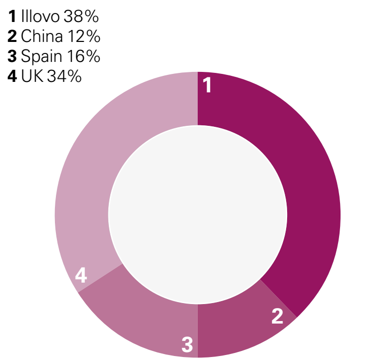
EU sugar price (€/t)
July 2010–2015



World sugar price (cents/lb)
Sept 2010 – Sept 2015

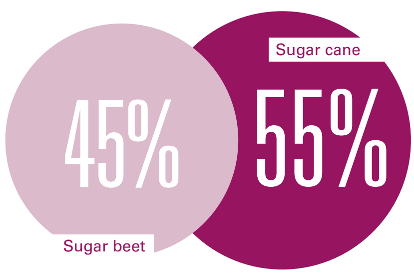


2015 sugar production by region



Sugar production

4.3 million tonnes



In such a scenario a number of key features are likely:

Beet sugar processors
- suppliers to the European market will need to further improve their efficiency and competitiveness. This will include energy efficiency, process technology and co-product development. Well-targeted and effective investments will be key;
- with inflation in other major world market suppliers outstripping that in the EU, we have already seen EU beet sugar producers improve their position in world league tables for cost of production. With the exception of distortions generated by movements in currency exchange rates, such as we are currently seeing between the Brazilian real and the US dollar, it is anticipated that this trend will be maintained;

Beet growers
- continuing growth in beet sugar productivity will be essential to support these changes. This has already led to EU white sugar yields, expressed on a per-hectare basis, exceeding those of Brazil;
- the relative profitability of alternative crops will become even more of a key determinant of production scale in the EU, as growers look to maximise total farm profitability;

Raw sugar refiners
- EU refiners may need to take a more opportunistic view of refining, for example, by focusing on periods where world sugar prices are sufficiently below EU prices to generate attractive returns; and

Global trade
- global trade flows will adjust to accommodate EU exports and sales into regions outside Europe, some of which may be new markets.

The above analysis leads us to expect that the EU will experience significant turbulence through the years of transition, during which we will likely see some further consolidation of the industry. We believe that, with continued emphasis on total supply chain efficiency, and access to global markets, the long-term future for the EU sugar industry, and the UK industry in particular, can remain strong.

SUGAR

A WORLD-LEADING SUGAR BUSINESS FOCUSED ON EXCELLENCE

Revenue
£1,818m
2014: £2,083m

Actual fx: -13%
Constant fx: -9%

Adjusted operating profit
£43m
2014: £189m

Actual fx: -77%
Constant fx: -76%

Adjusted operating profit margin
2.4%
2014: 9.1%

Return on average capital employed
2.4%
2014: 10.5%

Revenue and adjusted operating profit for AB Sugar were substantially lower than the previous year primarily driven by the further decline in EU sugar prices, and the underlying decline in profit was even greater given the non-repeat of last year's restructuring charge. In light of the structural changes in the world's sugar industry, we remained focused on delivering significant cost reduction across all of our businesses through our ongoing performance improvement programme. This will reduce our cost base but the reductions in the year could not compensate for the impact of lower prices.

Sugar prices in the EU stabilised towards the end of the financial year and with quota stock levels expected to reduce back towards historic norms during 2015/16, we have seen some price recovery for the 2015/16 marketing year. Prices in China increased during the year as a consequence of lower domestic production and reduced imports, although they remain at a premium to import prices. World sugar prices remained under pressure declining to below 11.0 cents per pound at one point, thereby holding back domestic prices in some regions.

UK sugar production of 1.45 million tonnes was driven by very high beet yields and excellent factory performances. The UK crop for the 2015/16 season has made good progress but, with a reduction for that year in the contracted area under cultivation in excess of 25%, and a return to more typical beet yields, sugar production is expected to be just short of 1.0 million tonnes. This will lead to a welcome fall in our stock levels following this year's high sugar production.

AZUCARERA

Historically, sugar produced by our factories in Spain has been stored in factory silos and transported as required to customers' plants via road tanker. Although this transportation complies with strict food and safety regulations, some customers increasingly require a further level of compliance such as product exclusivity, meaning that a tanker cannot transport anything other than sugar. This can result in a costly challenge for manufacturers as it means that tankers cannot be used on return trips. It also adds considerable complexity to supply chain logistics, particularly where customers are some distance from our factories or are close to competitors. A flexible approach is therefore vital.

During sugar beet production, Azucarera, our Iberian sugar business, now uses big-bag packaging as well as tankers to transport sugar. Many of these big-bags are stored in warehouses local to customers and once an order is received, the bags are 'ripped and tipped' into a tanker for the short journey from the distribution point to the customer's final destination.

By storing and transporting sugar in this way, Azucarera has improved order fulfilment and delivery times, as well as creating logistics savings. Compared to typical tanker haulage, this approach can reduce costs by as much as 40%.

Delivered beet costs for the 2015/16 campaign will be some 20% lower than the current year with a further substantial cost reduction now secured for the 2016/17 campaign.

In Spain, all factories performed well. Total production was ahead of last year at 709,000 tonnes of which 414,000 tonnes was from beet and 295,000 tonnes from refined raw sugars. The area under cultivation for 2015/16 is expected to be similar to this year.

Illovo produced 1.64 million tonnes in the year to September, marginally less than last year. The effect of drought on cane growth in South Africa was largely offset by strong production volumes across all other countries of operation. Zambia achieved record sugar production and further development at the factory is now planned which will increase sugar refining capacity and create new sugar conditioning and storage facilities to enable the supply of higher-quality sugars to the region. The Malawi sugar market has been seriously disrupted by the country's continued economic difficulties and sales volumes and prices were lower as a result. In Tanzania, sugar production increased with the benefit of better growing conditions and an improved factory performance. Some improvement in the local trading conditions enabled an increase in domestic pricing and an improved sales mix, with pre-packed sugar taking an increasing share of the domestic market. Illovo continued its focus on the development of domestic and regional sales, which have become increasingly important as world and EU prices become less attractive.

CEMENTING OUR REPUTATION FOR INNOVATION AND BETTER YIELDS

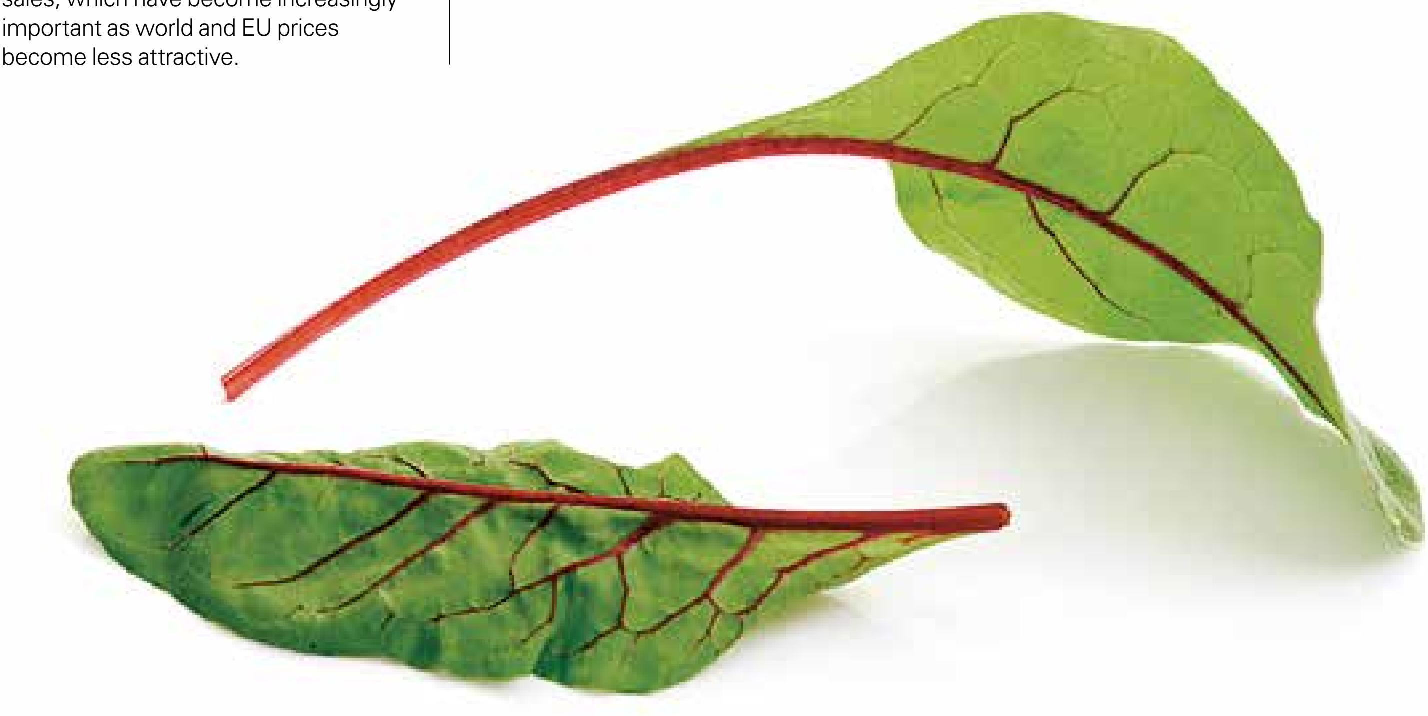
Recognising an opportunity to establish a partnership with one of the largest organic vegetable growers in the US, Germains set about creating a new product for organic Swiss chard using an approach that disinfected various seed-borne diseases leading to a better yielding crop.

Already established as one of the world's leading seed technology suppliers, Germains realised that it could also support key growers in developing enhanced sustainable products for the expanding organic vegetable market (currently growing at over 20% pa). This had the merits of improving its product differentiation and extending its expertise in research and development to become more technically-based and consumer-solution orientated.

Collaboration with an existing client, one of the largest organic growers in the US, led to a deeper understanding of the key challenge – primarily that the pathogen problems associated with seeds during a short growth cycle put the crop at risk. Joint research led to a review of protocols and techniques for removing disease from seeds in an economically viable and large-scale way. Germains' knowledge and experience of successful manufacturing processes in their sugar beet business unit, coupled with their knowledge of seed disinfection in key horticultural markets, resulted in a similar approach for organic Swiss chard.

Following successful field trials and modest additional capital investment, Germains utilised existing manufacturing assets to deliver all of its client's requirements for that planting season. The process from the initial client meeting to placing an order took just six months.

By putting the customer at the heart of their business, Germains has created a partnership based on mutual trust which has resulted in both crop and commercial success. It has also cemented Germains' reputation as an innovator, leading the agri industry in large-volume, organic solutions and new product development.



SUGAR

China saw some recovery in market prices and profitability improved as a result. In the south, cane volumes were some 30% below the previous year due to a combination of a lower planted area and poorer yields due to adverse weather conditions. Sugar production reduced from 560,000 tonnes to 413,000 tonnes in the year, benefiting from good factory extraction rates. The campaigns at our remaining northern beet factories, Qianqi and Zhangbei, were excellent with good factory throughput and better beet availability following our success in working with the growers over a number of years. Together, these two factories produced 94,000 tonnes of sugar in 2014/15.

In January, we announced our decision to cease sugar operations in Heilongjiang. Achieving beet yields sufficient to provide our factories in this region with an adequate supply of raw materials, at a competitive cost, has been particularly challenging for a number of years, even with the benefit of significant advances made both in agricultural and factory operations. We concluded that our factories at Yi'an and BoCheng were likely to remain uneconomic for the foreseeable future. We have now sold both factories and the final cost of ceasing these operations was £100m all of which was a non-cash charge.

We have now commenced the relocation of most of our management team from the head office in Beijing to our remaining operating sites.

Vivergo Fuels

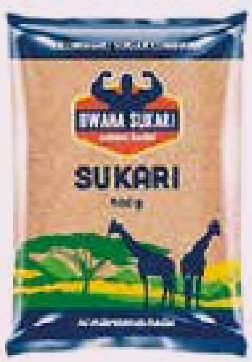
This business was formed in 2007 as a joint venture between ABF, BP and DuPont, which built a world-scale, wheat-fed, bioethanol plant at Saltend in Hull. In May, we assumed BP's share in the business thereby increasing our interest to 94%. In recent years the European market for bioethanol has been weaker than expected and we foresee that we may need to run this plant at a small loss in the short term. However, as the percentage of ethanol inclusion in gasoline increases in line with EU mandated targets by 2020, this market is forecast to move from surplus to deficit which we expect to lead to a price increase. Further operational improvements were made at Vivergo Fuels this year but continuing low prices resulted in the business sustaining an operating loss.

ILLOVO-KILOMBERO SUGAR

Kilombero Sugar, Illovo's business in Tanzania, is re-launching its pre-packed sugar proposition to provide better alignment with local consumer needs. After investing in local market research to understand the preferences and shopping habits of Tanzanian consumers, the business has expanded its Bwana Sukari (which means 'Mr Sugar' in the Kiswahili language) range. This now includes 1kg and 500g pre-packed sugar in improved packaging that reflects the brand proposition more appropriately and highlights the local sourcing and proud heritage that are so important to local consumers.

In a market that has historically been dominated by bulk 50kg and 25kg bags that are then on-sold in scoop format in a traditional and fragmented retail marketplace, this pre-packed offering provides an affordable, hygienic and guaranteed pack weight solution that meets the needs of local, cash-poor consumers. All packaging and point of sale communication will be updated from English to Kiswahili and the domestic market sales team are working with local distribution partners to expand the availability across the retail marketplace.

With the importance of domestic markets to the Illovo business, this kind of insight-led product development is shaping the marketing plans across the group, with research work now also underway in Malawi and Zambia.



A GROWER-CENTRIC AGRICULTURE STRATEGY

China's urbanisation policy is driving demographic change, and rural migration is changing the agricultural landscape. Both are creating opportunities for land consolidation and production efficiency.

Now celebrating its 20th anniversary in the region, AB Sugar China embraces these changes and new ways of working which are reflected in the annual plan for its north China operations.

This plan has three strategic objectives that firmly put growers at the centre of our business. The first, to ensure sustainable beet supply, helps growers increase their crop yield and profitability. Growers are provided with mechanised solutions appropriate to their requirements, and levels of service and support have been enhanced, thereby improving the crop attractiveness and thus supply stability. The second objective, to drive cost efficiency, is aimed at improving upstream supply chain efficiencies and reducing the cost of sucrose delivered to the factory. With greater insight into the capabilities of the grower base and the quality of their land we are able to prioritise geographic areas that deliver the highest-quality sugar beet at the lowest cost. The third objective is to increase beet quality by enhancing sugar content and reducing impurities. This is achieved, for example, through R&D investment in seed development, and the management of water and fertiliser.

One of AB Sugar China's agricultural priorities is to extend grower engagement in order to develop closer links with the upstream agricultural industry and establish long-lasting relationships with the most progressive growers. A major success has been working with a diverse group of growers, collectively identifying problems and developing solutions based on partnership, and the sharing of knowledge and good practice.

Value-added services, such as enhanced communications, have been introduced to support engagement with large growers. A mobile phone application that sends daily updates to growers on real-time pertinent topics, and enables interactivity between growers and experts, helps growers improve crop productivity. Loyalty schemes, incentive programmes and training also play a central role in maintaining a contented grower base which, in turn, contributes towards a stable and sustainable beet supply.

THE OBJECTIVES

01 ENSURE SUSTAINABLE SUPPLY TO INCREASE YIELD AND PROFITABILITY

02 DRIVE COST EFFICIENCY TO IMPROVE UPSTREAM SUPPLY CHAIN EFFICIENCIES

03 INCREASE BEET QUALITY BY ENHANCING SUGAR CONTENT AND REDUCING IMPURITIES

Early indications are that AB Sugar's north China operations will increase the crop planting area in 2015/16 by more than 30%, reversing two years of crop area regression. This will be a direct result of embracing a grower-centric business strategy, adopting a customer orientated mindset when working with growers and developing the supply chain for mutual benefit.

AGRICULTURE

DRIVING RESPONSIBLE AGRI-FOOD PRODUCTION

Revenue
£1,211m
2014: £1,312m

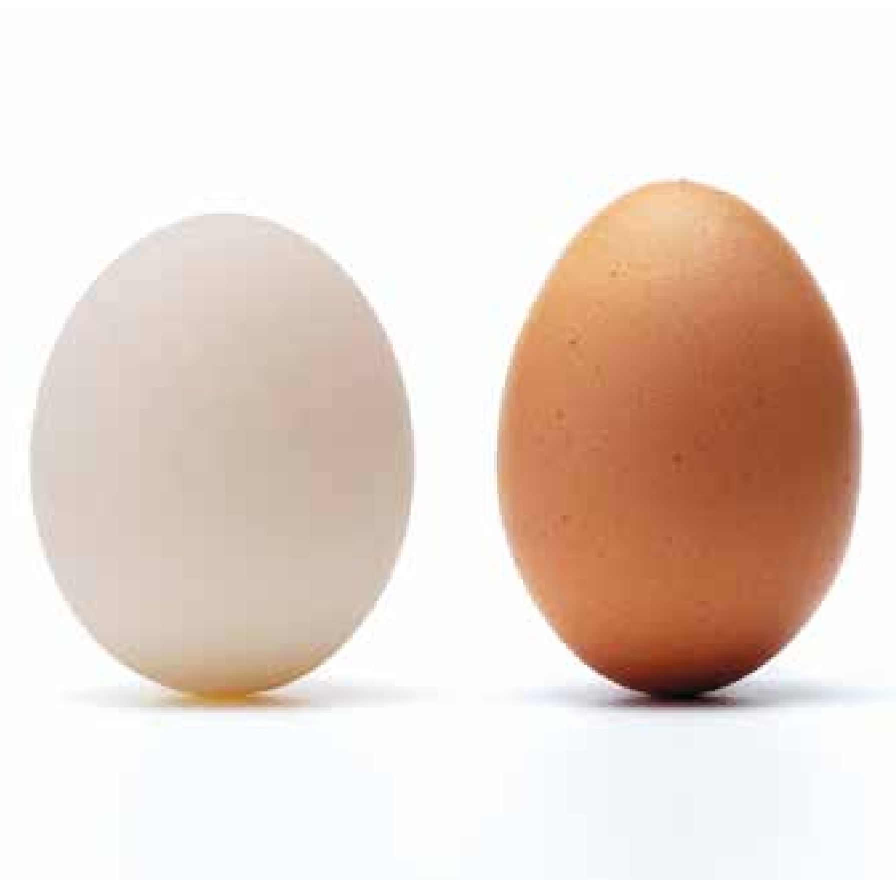
Actual fx: -8%
Constant fx: -8%

Adjusted operating profit
£60m
2014: £50m

Actual fx: +20%
Constant fx: +18%

Adjusted operating profit margin
5.0%
2014: 3.8%

Return on average capital employed
19.2%
2014: 17.3%



About Agriculture: AB Agri is a major business in UK agriculture and is increasingly operating on a global scale. It supplies feed and technology-based products and services to farmers, feed and food manufacturers, processors and retailers. It also buys grain from UK farmers and supplies them with agronomy advice and crop inputs through its joint venture, Frontier Agriculture.

Operating across the agricultural supply chain, AB Agri manufactures high-performance compound feeds, provides world-leading analytical services, nutritional advice and poultry marketing services for customers. It provides a value-added service to food, drink and bioethanol companies internationally, by marketing their co-products as animal feed, which in turn helps to reduce the costs of production for its farming customer base. Working globally it supplies the livestock and pet industries with premixes, enzymes and other technical ingredients and plays a key role in delivering supply chain integrity for retailers and processors.

AB Agri's operations comprise:

- AB Connect – a feed supply business serving the UK's food and farming community;
- AB Vista – an international supplier of world-leading feed ingredients and technical services;
- Speciality Nutrition – a supplier of high-quality, bespoke, vitamin/mineral premixes, starter feed and micro-ingredients, with world-class nutrition and formulation expertise;
- AB Sustain – a specialist in designing, developing and delivering bespoke sustainable agricultural supply chain solutions for clients;
- AB Agri China – a high-performance feed manufacturer for the ruminant, pig and poultry sectors, a co-product marketing and feed additives business and an industrial services business working with large-scale processors to optimise the food supply chain; and
- Frontier Agriculture – a joint venture which is the UK's leading crop inputs and grain marketing organisation.

GROWTH THROUGH COLLABORATION
AB AGRI CHINA

AB Agri in China is playing a significant part in improving the safety and efficiency of meat production in the country by supplying safe, high-performance animal nutrition and services to feed producers, livestock farms and food processors.

Feed and food safety, and commodity cost management are currently the subject of much focus in China and represent a key challenge to the livestock industry. These are no different to the challenges faced by livestock producers globally, but the step changes in how food is produced i.e. away from small farm holdings, are bringing a unique set of challenges and opportunities to all businesses that operate within the food supply chain in China.

Since our first investment in China in 1996 our vision and ambition has been to build a Chinese business that benefits Chinese people by leading improvements in food safety and efficiency.

A constant element of this approach has been to invest in local people and, through consistent training and a wide range of support mechanisms, ensure that the business is founded on loyalty and highly responsible technology and practices.

AB Agri China has an enviable record of staff loyalty, the majority of the General Managers having been with the business for more than ten years. This is significant because it underpins the building of key relationships and trust which provides a strong platform to facilitate effective and relevant knowledge transfer. It gives us the opportunity to take western learnings and technologies and adapt and apply them into the local market. By opening up dialogue and building trust a consistent pipeline of improvement practices have been, and continue to be, channelled into the fast-changing China food industry.

This is the foundation of AB Agri China's success – well trained local people who are close to, and have a good understanding of, their market but who also have access to world-class nutrition and management practices via established links into the wider AB Agri network.

AGRICULTURE

DRIVING VALUE FOR BUSINESSES ALONG THE FOOD SUPPLY CHAIN

AB Agri had another record year with strong performances across all businesses. Adjusted operating profit was 18% ahead of last year at constant currency but revenues were 8% lower than last year as a result of softer commodity prices. Importantly, cash margins in the UK feed business were maintained.

UK feed volumes held up well despite continued pressure on the UK dairy sector where AB Connect's range of ruminant feed products offered a cost-effective way of maintaining or improving milk yields and quality. It was a year of recovering volumes in the poultry sector following a difficult period, whilst in the pig sector, feed volumes were slightly ahead of last year. Market concerns remain over the relative cost of British pork compared with euro-denominated imports, but consumers have continued to support British produce. In Speciality Nutrition, the recent expansion and modernisation of the UK premix plant at Rugeley enabled the business to meet higher domestic demand and this year has also seen the further extension of its European operations into the strategically important Spanish swine market.

In response to the UK government's commitment to reducing the country's greenhouse gas emissions, AB Agri has now gained accreditation for its energy management system which has been deployed across all of its UK manufacturing sites and major offices. This will result in better measurement and management of energy use in the business and will increasingly inform its strategic investment decisions.

Frontier Agriculture, our joint venture arable operation, celebrated its 10th anniversary this year. Formed in April 2005, the business has since doubled in size and now serves 10,000 customers. Over this decade the income from the supply of crop inputs such as fertilisers, seeds and agronomy services has grown significantly and now exceeds that from its original grain marketing business. This year, the business traded at similar levels to last year with added complexity in its grain trading operations, and lower than normal protein levels in domestic wheat which increased the demand for quality wheat imports.

AB Agri China delivered a strong result driven by good procurement and a favourable product mix. The new feed mills are performing well with Zhenlai delivering substantial cost savings to its major customer and Rudong, which was built to supply feed exclusively to a major international processor, already performing to plan.

AB Vista, our international feed ingredients business, continued to deliver strong growth in both sales and profit, driven by further success for Quantum Blue which achieved significant market share gains in the phytase market. Encouragingly, we see further growth opportunities in new applications and geographies where AB Vista currently has a lower presence, and planned expansion of AB Enzyme's fermentation plant in Finland will ensure supply can match our growth expectations.

THE FIRST AGRICULTURE ACCREDITED CARBON MODEL
AB SUSTAIN

In the early 2000s a growing awareness of the impact that carbon emissions were having on climate change led to a spotlight on agriculture and, in particular, methane emissions from animals and nitrous oxide emissions from fertiliser. At this time, little was known about carbon emissions in agriculture and no large-scale or practical models existed to capture data and insights.

Insight from AB Agri's on-farm data capture and improvement programmes provided an opportunity for the business to lead the way in this emerging landscape. Recognising that a scalable model which measured greenhouse gases could be an attractive proposition, both for retailers and brand owners, an outline concept was presented to Dairy Crest in 2006 who in turn shared the idea with one of their largest retail milk customers – Sainsbury's. Their positive response inspired the business to turn this concept into reality.

With no blueprint from which to operate and with limited information from factory carbon processes, AB Agri brought together a team with expertise in farm metrics, agricultural management systems, data modelling and nutrition. Information about the levels of carbon dioxide emitted by the growing of most crops and their manufacture into feedstuffs, or about the levels of methane emitted by different species or breeds of animal and variations attributable to size, age and diet, was either very limited, incomplete or non-existent. Nor was there any guidance on how to develop a methodology to create calculations where none existed. Using the team's agri-science expertise, methodologies, calculations and formulae were systematically designed and built for each missing element to create a workable model. This included a unique methane equation which made the model the most advanced and accurate of its kind in the world.

Imperial College London and the Carbon Trust, were engaged to provide independent validation of the model which, today, would be routine but then there was no relevant certification standard. AB Agri was invited to join a UK cross-sector working group to create such a standard. The result was PAS2050 which provides a consistent, internationally applicable, method for quantifying product carbon footprints. The AB Agri models are the only ones in agriculture to receive PAS2050 Tier 3 certification (the highest available).

In 2009, Sainsbury's, having recognised the potential contribution that on-farm data collection and benchmarking could make to improve their supply chains, contracted with AB Agri exclusively to go beyond dairy and build carbon models for their other UK farm categories. In 2010, a three-year contract was agreed to include beef, lamb, pork, egg and broiler farms. This was extended to include other UK-based agri-food producer groups and today we are providing more than 2,000 UK farm carbon assessments a year. We also undertake a range of ad-hoc agri supply chain data/information consultancy projects and have gone beyond UK shores with carbon modelling of more than 100 New Zealand sheep farms and the measurement of Sainsbury's Maldivian tuna supply chain.

‘MAKING LIGHT WORK’
AUNIR: HANDHELD NIR

Aunir is our globally recognised, independent, near infrared reflectance (NIR) calibration development and delivery business. It delivers NIR analysis for customers internationally through the use of Ingot – the biggest NIR calibration database in the world.

With over 30 years’ experience, Aunir is totally focused on NIR spectroscopy. It sits at the centre of the NIR industry and works with all major NIR platforms. Its software packages are used in a wide range of markets where organic materials need to be measured and controlled, such as animal feed and ingredients, forages, cotton production, sugar production, and plant breeding.

The business started life as an integral part of our UK feed business and the majority of users were laboratory-based quality control departments of feed manufacturing sites. In 2011, the Aunir team worked closely with our emerging micro ingredients business, AB Vista, as well as the AB Agri strategy team to conduct an in-depth review of the business including:

- its historical roots and its position in the market;
- its core strengths;
- where it created real value for customers;
- the direction of travel of the world of NIR, its hot prospects and where it should be targeting its efforts; and
- the identification of opportunities to develop new products, services or delivery methods, and/or enter new markets.

One of several key trends identified was a move towards miniaturisation – the software being operated on smaller, more portable machines. In line with its strategy of ‘delivering world-class calibrations via multiple channels within its chosen industries’ Aunir has forged strategic partnerships with a number of companies developing micro NIR hardware to provide gold-standard Ingot calibrations on portable NIR platforms.

Aunir’s reputation as a leader in the application of NIR solutions within agricultural supply chains means that a number of businesses are keen to partner with them. One example is JDSU who first introduced themselves to Aunir in 2011. A legal framework was put in place to allow for an open dialogue and sharing of knowledge. The combination of their technology advances and Aunir’s expertise in calibration development represented an opportunity for a step change in NIR analysis. Continued investment and learning highlighted the commercial value of the offering and a full-time team was established.

The subsequent journey was typical of boundary-pushing technologies: developing prototypes, testing, sourcing components, redesigning products, and yet more testing. In April 2015, NIR4 Farm was formally launched into the UK and Ireland dairy market, providing a unique hand-held, real-time-result delivery device for farmers and their advisors to predict accurately the nutritional content of forage on farm, at an accessible price. Following an overwhelming amount of interest for the technology to be applied to other industries, work is already underway to expand into new applications and new geographies.

INGREDIENTS

DEVELOPING PRODUCTS FOR THE FUTURE

Image: yeast cells under electron microscope.

REVITALISING CRAFT BAKING

page 34

LEADING-EDGE BIOTECH SOLUTIONS

page 35

About Ingredients: Ingredients comprises a number of businesses that supply a range of ingredients to food and non-food manufacturers. Together they employ 8,000 people in more than 70 plants in 26 countries.

AB Mauri has a global presence in bakers' yeast with significant market positions in the Americas, Europe and Asia, and is a technology leader in, and supplier of, bread improvers, dough conditioners and bakery mixes. The business employs experts who have an unrivalled knowledge and understanding of the yeast and bakery ingredients business, the equipment, the processes and the raw materials.

ABF Ingredients comprises a range of businesses focusing on high-value ingredients for both food and non-food applications. It has established strong market positions in enzymes, lipids, yeast extracts and cereal specialties. It has manufacturing facilities in Europe and the US.

SPI Pharma is a leader in custom formulation solutions for pharmaceutical and nutraceutical manufacturers in more than 50 countries. It manufactures and markets antacids, excipients and drug delivery systems for tablets and specialises in drug development services. It collaborates with customers to deliver value-added and cost-effective solutions to their problems.

Revenue

£1,247m

2014: £1,261m

Actual fx: -1%
Constant fx: +3%

Adjusted operating profit

£76m

2014: £41m

Actual fx: +85%
Constant fx: +100%

Adjusted operating profit margin

6.1%

2014: 3.3%

Return on average capital employed

11.1%

2014: 5.8%

INGREDIENTS

REVITALISING CRAFT BAKING IN MEXICO

Historically Mexico has been a dry yeast export market for AB Mauri North America, reached through one or two local distributors. The business was quite limited because Mexico was, and still is, predominantly a fresh yeast market and local yeast producers were well established.

Since 2005, when ABF began developing its then recently acquired AB Mauri business, it has sought to expand the geographies in which the business operates and to focus on the particular needs of each market. One such was Mexico and management resources were committed to the country to research the market and begin the process of building a broader-based, commercial operation.

The relevance of the Mexican yeast market and the competitiveness of the country as an export platform were very evident and, in December 2010, capital investment was approved to build a new yeast production facility. Commissioning of the plant took place just over two years later in early 2013.

This new Mexican plant was located in Veracruz where raw materials are abundant and proximity to the Gulf of Mexico and the country's capital made it the perfect gateway to all major local and export markets.

By establishing a material interest in the country, the business was able to achieve greater market penetration with distributors and customers alike. This has led to not only an increased market share, but also a more profound understanding of the local bakery industry, and craft bakers in particular. There are some 30,000 craft bakers in Mexico – small businesses that support 80% of all bread consumed in the country but, over the years, these businesses have lost their competitive edge to a more aggressive and cash-rich bread and food service industry.

AB Mauri identified a number of ways in which the business models and competitiveness of craft bakers could be improved and a project was conceived to work with a small number of these artisanal bakers to re-engineer their business models and improve their profitability. The project was named El Faro (The Lighthouse) to convey the message that it was designed to shine a light on just how much could be achieved and to show the way forward to other craft bakers across the country.

During 2014 and 2015 AB Mauri has invested $1m, working alongside 15 craft bakery owners and in conjunction with La Salle University, to perfect a craft bakery business model and to develop a range of education and training programmes for professional and home bakers. La Salle University is located on the outskirts of Mexico City where it provides elementary and entry level education to lower income populations. AB Mauri and La Salle shared the cost and manpower required to set up and run a bakery school at the university campus and engaged a team of more than 250 professional bakers, technicians from our distributors and home bakers to support the programme.

By enhancing the craft bakers' business model, AB Mauri and La Salle are underpinning the sustainability of the craft baking industry; by providing vision and practical knowhow AB Mauri is quickly establishing itself as the baker's partner; and by providing vocational education, subsistence bakers are being turned into thriving entrepreneurial businesses. The bakery school also serves as an in-country product development laboratory, providing AB Mauri with opportunities to develop its product range. It is hoped that this initiative will not only revitalise the craft baking industry in Mexico but it will also build brand equity for the AB Mauri business and its Fleischmann brand.

Ingredients' revenues were 3% ahead of last year at constant currency and for the second successive year the increase in operating profit was substantial, driven by stronger trading across all businesses and a focus on overhead reduction. As a consequence, margin was much improved.

AB Mauri, our bakery ingredients and yeast business delivered a second year of significant profit recovery in a market that remains very challenging. This was driven by its operations in the US and Canada and, despite difficult economic conditions, Brazil and HispanoAmerica also made good progress. We were the first to launch a successful liquid yeast product in Argentina, re-enforcing our technical and market leadership position in this region. Cost reduction and improved plant utilisation resulted in a better operating result from our facility at Veracruz in Mexico which is now exporting high-quality yeast products to customers in 34 countries. Our newly integrated milling and bakery ingredients business in Australia and New Zealand achieved volume growth and a good result despite a difficult market with competitor price pressure.

The successful integration of our recently acquired European bakery ingredients business has broadened our product offering, strengthened our market position and delivered significant cost synergies. The UK business introduced a gluten-free bread and cake range of bakery ingredients, developed to meet the rising demand for such products, as well as a range of natural-based cereal fermentation products, suitable for application in all bread types, which help to deliver flavour and texture to the product.

AB Mauri's smaller, speciality yeast business which operates in non-bakery markets achieved significant growth. Good progress was made in Europe where our attractive product portfolio and capability in ethanol process optimisation are increasingly being recognised in the market. In the alcoholic beverages market, we maintained our status as a leading supplier of distillers' yeast to the UK's whisky industry and grew sales in the wine sector with new product launches and expansion into new geographies.

ABF Ingredients delivered excellent growth in sales and operating profit with all businesses making progress. This was a highly successful year for enzymes driven by continued growth in feed enzymes, which are distributed by AB Agri, a number of successful new product introductions in the baking and pulp & paper sectors, and increased market penetration in detergents. The preparatory work to expand the enzymes factory in Finland is now well under way.

Yeast extracts and speciality powders advanced with a focus on higher value products and improved plant utilisation. Further development of our extrusion and granulation operations in North America saw the speciality cereals business achieve growth in its animal feed and health bar markets. Our speciality lipids business progressed well, particularly in health and nutrition and personal care applications.

AB MAURI NORTH AMERICA BAKINGHUB™

AB Mauri North America recently unveiled a new, state-of-the-art bakingHUB™ in St. Louis, Missouri, to enhance business operations and provide better support to its customers across the baking industry.

Located within a new regional head office, the bakingHUB™ stands as a leading research space in an immersive, creative district called the Cortex Innovation Community with neighbours include Boeing, Purina, Washington University and Cambridge Innovation Center, among others. Access to a large pool of innovative thinkers, outside the core baking business, is a key benefit provided by this new facility.

The 5,000 sq ft bakingHUB™ includes a pilot fermentation laboratory making it the perfect environment for AB Mauri's food scientists to develop better yeast and baking ingredient solutions and to create a wide range of finished baked goods for trial and testing purposes. The facility is capable of producing pan breads, artisan baguettes, various sweet goods, pizza, flour and corn tortillas, doughnuts, bagels and more.

LEADING-EDGE BIOTECH SOLUTIONS

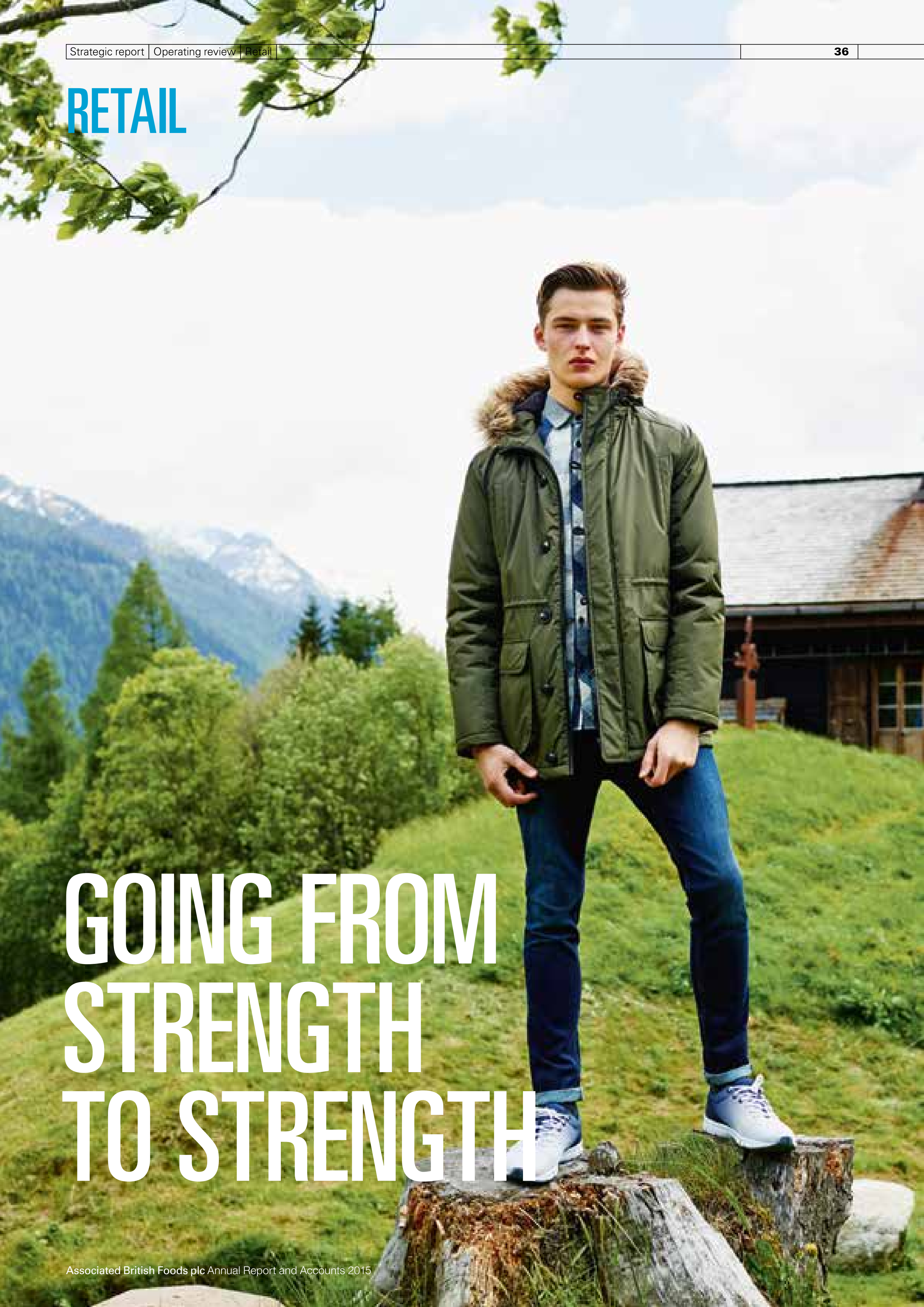
Behind the success of AB Vista and AB Enzymes is the leading-edge biotechnology of our Roal joint venture in Finland. Across these businesses, we develop, produce and market industrial enzymes derived from highly developed microbial cell factories. AB Enzymes and AB Vista both market and distribute the joint venture's products.

Trichoderma reesei, originally isolated for production of cellulose breaking enzymes, has been developed over decades to produce virtually any enzyme at low cost and with high quality. Roal's proprietary strain collection of superior cell lineages is one of the key assets of our enzyme business, which has hugely benefited AB Enzymes and AB Vista as distributors.

Development of these technological platforms involves modern molecular biology, process engineering and application research. Operating from a modern, well-invested facility, the team of world-class scientists have a track record of keeping ahead of the competition with a continuous flow of innovative products that have consistently improved yields. The co-operation between research, manufacturing, marketing and distribution allows the production of tailored enzyme products to meet customer needs.

The business has provided enabling technology, not only for AB Vista's Quantum Blue, but for other feed enzymes and for the flagship molecules distributed by our detergent, pulp & paper and textile enzyme businesses.

RETAIL



GOING FROM STRENGTH TO STRENGTH

About Retail: Primark is one of the largest clothing retailers in Europe. It has 293 stores and employs 61,000 people in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France and the USA. It was founded in June 1969 in the Republic of Ireland where it continues to trade as Penneys.

Primark's organic growth has been achieved through a combination of like-for-like growth and increasing selling space. The like-for-like growth reflects investment in buying, merchandising and our success in constantly refreshing the stores to ensure they remain exciting places to shop. The increase in selling space has been driven by capital investment in freehold and leasehold properties as they have become available, first on the high streets of the UK and Ireland, and more recently on the high streets and in the shopping centres of continental Europe and the USA. 2006 saw Primark's first foray into continental Europe with the opening of a store in Madrid and it now operates from over 11 million sq ft of selling space across ten countries.

With a unique combination of the latest fashion and lean operations, Primark offers customers quality, up-to-the-minute designs at value-for-money prices. Buying and merchandising teams travel internationally to source and buy garments that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

C'EST MAGNIFIQUE!

Primark's star performer in 2015 was its business in France where we have five stores, all of which opened in 2013/14.

Collectively these stores marked Primark's most successful entry into a new country and now that we have been open more than a year, we continue to deliver very strong growth.

The French stores incorporate a number of new initiatives, for example: streamlining our till procedures; speeding up check out times; enhancing the fitting room experience; improving store navigation; widening the aisles; and delivering a more consistent in-store experience especially in areas where customers require assistance.

With exciting new stores scheduled to open in Lyon, Nice and Toulon in the coming financial year, and several more stores in the pipeline for the next two years, the future of our French business is bright.

RETAIL

PRIMARK IS ONE OF THE LARGEST CLOTHING RETAILERS IN EUROPE

Revenue
£5,347m
2014: £4,950m

Actual fx: +8%
Constant fx: +13%

Adjusted operating profit
£673m
2014: £662m

Actual fx: +2%
Constant fx: +5%

Adjusted operating profit margin
12.6%
2014: 13.4%

Return on average capital employed
31.1%
2014: 33.2%

Sales at Primark were 13% ahead of last year at constant currency mainly driven by an increase in retail selling space of 9%. Like-for-like sales were 1% ahead of last year reflecting a strong performance across a number of countries. Very high sales densities were achieved by stores opened in the last 18 months and especially by our stores in France, which has been our most successful new market entry to date.

Like-for-like sales in the early part of the financial year were impacted by the unseasonably warm autumn followed by strong trading across the important Christmas period. Spring trading was held back by cool weather followed by strong trading in the fourth quarter of our financial year. Spain, Portugal and Ireland all performed very well throughout the year and the UK delivered a positive like-for-like performance. The success in these markets was partly offset by the impact that the opening of new stores in the Netherlands and Germany had on existing stores in that region, albeit that this effect reduced in the fourth quarter. As new stores opened, sales in existing stores declined as customers chose to shop more locally rather than travelling the long distances that we saw in the early days of trading in these countries.

Our very successful trading in 2013/14 led to an unusually low level of markdown in that year. As anticipated, markdowns returned to more normal levels this year with a consequent reduction in operating margin. To a lesser extent, margin was also reduced by the effect of the stronger US dollar, at the end of the financial year, on purchases for the new autumn/winter range. Primark sources much of its merchandise in US dollars and its strength, particularly against the euro, will have a further adverse effect on margins in the new financial year, especially in the first half. However, more than half of the potential impact has been successfully mitigated by our buying teams as they have placed orders for next year.

During this financial year we opened almost one million sq ft of selling space bringing the total estate to 293 stores and 11.2 million sq ft at the financial year end. 20 new stores were opened including relocations to larger premises in Northampton and Murcia, Spain. We closed our store on The Headrow in Leeds, following the success of the much bigger store opened in the nearby Trinity shopping centre in December 2013, and we also closed two very small stores, one in Margate and another in Naas in the Republic of Ireland, bringing the net additions in the year to 15. These new stores included 77,000 sq ft at Downtown Crossing in Boston, our first store in the US, which opened on 10 September. Significant new space was added in the Netherlands, Belgium and in Germany where an additional six stores were opened, the largest of which were Dresden, Braunschweig, Krefeld and Weiterstadt.

RETAIL

CREATING A BUZZ IN STORE...

The opening of a new Primark store is always an exciting occasion, particularly for our customers but also for our staff.

The first day's trading at our Berlin store, seen here, was no exception. But the excitement isn't confined to the opening day. In France, customers have taken Primark to their hearts and sales densities there have outstripped the rest of the group.

...AND ONLINE


Stellar Magazine
@stellarmagazine

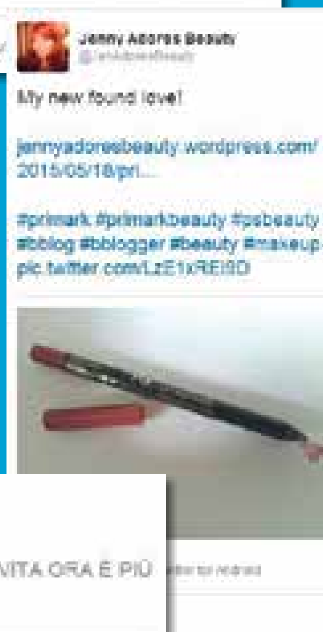
Have you checked out @Primark's new A/W '15 collection? It's gorgeous! See it here: ow.ly/OQkhO

Penneys AW15 Lookbook Is Here & We Know What We're Wearing This...

Set phasers to stun: this is one of the nicest collections we've seen from our fave fashion destination in, oh, ever?

7:30pm · 26 Jun 2015 · Hootsuite

4 RETWEETS 11 FAV


Jenny Adores Beauty

My new found love!

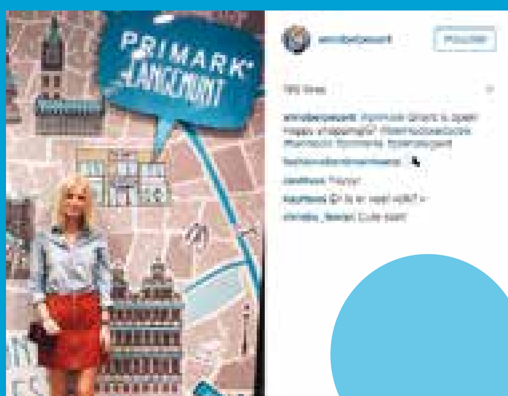
jennyadoresbeauty.wordpress.com/2015/05/18/pri...

#primark #primarkbeauty #psbeauty #bblog #bblogger #beauty #makeup pic.twitter.com/LzE1xREI9D


chiara

@Primark LA MIA VITA ORA È PIÙ BELLA

@Primark MY LIFE NOW IS MORE BEAUTIFUL



Strategic report

RETAIL

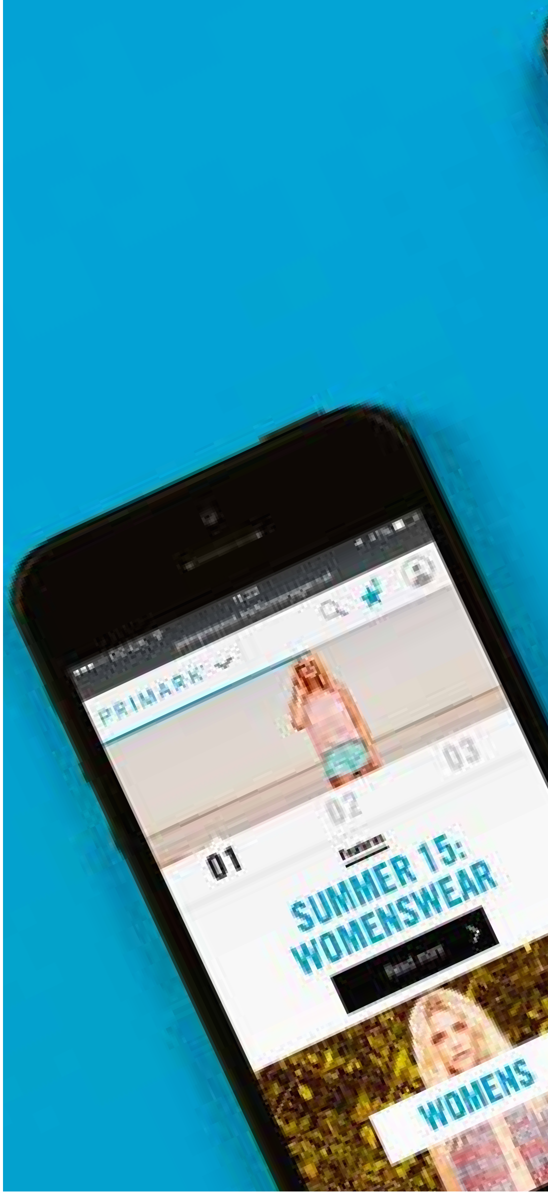
Store expansion by region

	Year ended 12 September 2015		Year ended 13 September 2014	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	164	6,083	164	6,039
Spain	40	1,369	40	1,338
Germany	19	1,194	13	829
Republic of Ireland	36	1,028	37	1,035
Netherlands	12	547	8	346
Portugal	8	267	7	232
France	5	231	5	231
Austria	4	193	3	142
Belgium	4	166	1	34
USA	1	77	–	–
	293	**11,155**	**278**	**10,226**

We have an extensive pipeline of new stores to be opened over the next few years with some 1.5 million sq ft scheduled for the new financial year, the major elements of which will be in the north-east US, the UK, Spain and France. In the US we will add seven stores, totalling 0.4 million sq ft, most of which will open later next year; Spain includes a flagship, 133,000 sq ft, store on Gran Via in central Madrid which opened this October; and, following our success in France this year, we will open in Lyon, Nice and Toulon. We will also open our first Italian store at a new shopping centre in Arese, north-west of Milan, early next summer.

We have made a significant investment in our warehouse infrastructure and further expenditure is planned for next year. In total we will have doubled our warehouse capacity since 2013. Our existing warehouse in Torija in northern Spain was doubled in size at the beginning of this year, the facility at Mönchengladbach in Germany was increased by 60% and a new warehouse in Bethlehem, Pennsylvania was fully operational in time for the opening of the Boston store. In September, we opened a new warehouse in Bor, on the western border of the Czech Republic. Next year will see the relocation of our Magna Park, UK warehouse to a larger site at Islip in Northamptonshire, close to our existing warehouse at Thrapston. This will give rise to some dual running costs for a short period. Another distribution centre is currently under construction at Roosendaal in the Netherlands which will come on stream late next year. Located in one of Europe's prime logistics hubs between Rotterdam and Antwerp, this facility will service our expanding network of stores in continental Europe.

DELIVERING GREAT CONTENT FOR OUR DIGITAL COMMUNITY



NEW STORE OPENINGS

Germany
Braunschweig
Dresden
Kaiserslautern
Krefeld
Stuttgart
Weiterstadt

Austria
Graz

Portugal
Porto

UK
Omagh
Walsall

Belgium
Brussels
Ghent
Hasselt

The Netherlands
Arnhem
Rotterdam
The Hague
Venlo

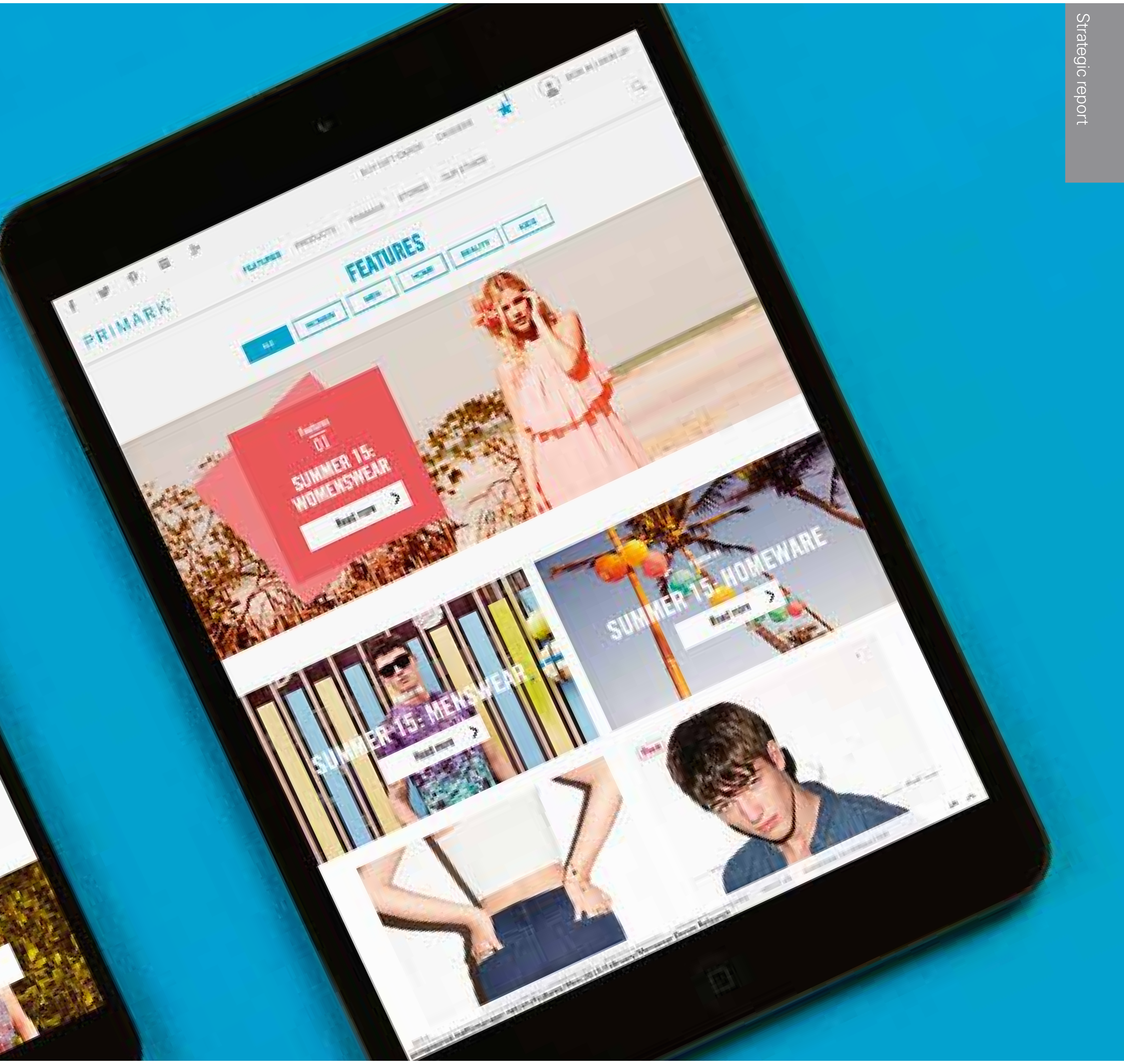
USA
Boston

Relocations or closures

Spain
Murcia

UK
Leeds (closed)
Margate (closed)
Northampton

Republic of Ireland
Naas (closed)



Our social media focus has been to grow our existing digital communities and use them to promote exciting news about fashion collections, new store openings and job opportunities in new markets. We have millions of followers across key social media channels such as Facebook and Instagram, and over one million people, and growing, visiting Primark.com each week.

Primark.com has been redesigned to meet the expectations of our mobile-savvy customers. The new site, delivered in six languages, showcases the majority of our products and demonstrates our price leadership in every country in which we operate. Additionally, customers can immerse themselves in a flavour of the Primark brand and offering. A store locator enables customers to find their nearest stores and shopping times.

Our very own social platform 'PRIMANIA' encourages browsers and fans to post their favourite Primark looks and be awarded 'PRIMARKS' for the best outfits.

Social media plays an important part in the way our customers live their lives and is an increasingly effective way of broadcasting the excitement of the Primark brand far and wide, thereby enticing more customers into our stores more frequently.

RETAIL

A BROADER, MORE DIVERSE OFFERING

New category product developments have helped drive our sales in the past year with the following departments at the forefront of our fashion offering:

Home has become more contemporary with the introduction of Home Accessory products including scented candles, novelty LED lighting and decorative wall items. This range followed the seasonal colour palettes of our fashion categories, creating a more cohesive offering. Improved visual merchandising helped to create a more inspiring in-store environment, helping our customers to shop this area.

Accessories are becoming more of a focal point and are leading the way in completing many of our key looks. Some great examples from the Autumn/Winter '15 season include oversized tartan scarves, ponchos, large bags and Fedora hats. Our Accessories range has developed beyond Womenswear and we have seen strong demand from Childrenswear customers for 'mini-me' products in a lot of these categories. Menswear too has seen strong demand for the season's key accessories which, this year, also include watches, which have launched with a promising commercial response at very competitive price points.

Accessories have also expanded to create a new mini-department, aptly named 'Primarket' which had an extremely encouraging launch this year focusing primarily on travel and technology accessories as well as stationery.

Sportswear: The 'Athleisure' (Athletic Leisurewear) trend and the growth of the performance apparel market can be attributed to emerging changes in consumer lifestyle. Sportswear/Activewear has now become an everyday must-have fashion item as consumers pay increasing attention to personal health and fitness. Innovative and functional fabric technologies, combined with on trend apparel and accessories, have seen this range go from strength to strength.

Licensing: Many of the top catwalk shows have adapted this trend featuring key Disney or Warner Bros characters. Primark delivered a strong product offering across Womenswear, Menswear and Childrenswear in categories from fashion t-shirts to socks and nightwear which include new and topical releases such as Star Wars. With strongly executed in-store campaigns like Universal's 'Minions' achieving widespread success, we see Licensing continuing to be a strong seller across the group.

Health & Beauty is an area of huge potential, having already experienced unprecedented growth since its launch. The PS beauty brand is now available in all Primark stores. The range continues to grow, including everything from fragrances, self-tan and skincare to all of the standard make-up categories, which drive high volume demand.

ENHANCING THE IN-STORE EXPERIENCE

Store environment plays an important part in inspiring our customers and engaging them in the fun and fashion of Primark.

We strive to provide an outstanding experience in every new store we open through meticulous attention to the design process. Over the last few years we have made significant advances in window presentation, visual merchandising, digital communication, and the look and feel of each department – notably the introduction of new denim, footwear and beauty departments. We have also sought to provide an enhanced customer experience in a number of key stores in prime locations such as Berlin Alexanderplatz and Northampton.

Berlin Alexanderplatz

Situated on one of Berlin's most historic and iconic squares, Primark occupies premises of 56,000 sq ft. The brutalist concrete shell provided a backdrop for us to create a store that reflects Berlin's culture and feel. Concrete has been left exposed, lifts climb through the space in open steel shafts and a local graffiti artist decorated the store with floor directories and local narrative. An outstanding digital experience is delivered by a three-dimensional projected map wall that rises up three floors through the escalator atrium. Overall the store gives our customers the excitement of shopping in a contemporary fashionable environment while enjoying a real Berlin experience.

Northampton

Primark continuously reviews expansion and relocation opportunities in its core markets and identified an opportunity to relocate its small 10,300 sq ft store in Northampton into a new, purpose-built, location which, at 34,300 sq ft, was more appropriate for the market opportunity. Ideally located in the redeveloped Grosvenor shopping centre, Primark opened for trade in December 2014 and, trading from two floors, immediately enjoyed significantly enhanced trading. The store was fitted out in the latest store design including improved visual merchandising and windows, light boxes, LED screens, enhanced lighting and a new denim and footwear concept. A relocated store provides an excellent opportunity not only to provide many new jobs but also to motivate the staff who relocate from the old store by providing them with a new working environment, not just on the shop floor, but also back of house. Northampton was fitted with a new, open plan, fun and fashionable environment in which staff can relax. The new back of house concept has been incorporated into all new and refitted stores since the end of 2013 and has had a direct positive impact on the morale of our people.

FINANCIAL REVIEW

ANOTHER YEAR OF STRONG CASH GENERATION

Group performance

Group revenue increased by 2% at constant exchange rates, but the strengthening of sterling against our major trading currencies, particularly in the second half of the year, resulted in a decline in revenues of 1% at actual rates, to £12.8bn. Adjusted operating profit of £1,092m was 4% below last year at constant rates but 6% lower at actual rates. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles, profits or losses on disposal of non-current assets and any exceptional items are excluded. On an unadjusted basis, operating profit was 12% below last year at £947m.

An exceptional non-cash operating charge of £98m was taken in February to impair the group's shareholder loans to Vivergo Fuels following the decline in the price of fuel, and particularly biofuel, earlier in the year.

The income statement includes a charge of £172m for the net loss on the sale and closure of businesses primarily in respect of two items. In May, we assumed BP's 47% interest in Vivergo Fuels at which time a non-cash charge of £75m was recognised to account for the effective disposal of the group's original equity-accounted stake in the joint venture prior to its immediate repurchase at fair value. This charge also includes a £100m non-cash loss on sale of the two uneconomic sugar factories in Heilongjiang.

Finance expense less finance income of £53m was lower than last year's net charge of £58m reflecting a lower average level of debt during the year.

Profit before tax fell from £1,020m to £717m. On an adjusted basis, where the amortisation of non-operating intangible assets, any profits or losses on the sale of non-current assets or on the sale and closure of businesses, and exceptional items are excluded, profit before tax fell by 6% to £1,034m.

Taxation

We recognise the importance of complying fully with all applicable tax laws as well as paying and collecting the right amount of tax in every country in which the group operates. We have had a board-adopted tax policy for many years which is based on seven tax principles that are embedded in the financial and non-financial processes and controls of the group. Our tax principles are included in the appendix to our Corporate Responsibility Report (www.abf.co.uk).

As a substantial UK tax payer, the group will benefit from the future reductions in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. Following substantive enactment of these rates since the balance sheet date, the effect of these reductions on our UK deferred tax liability will be reflected in 2015/16 and in our current tax charge in the year in which the reductions apply.

This year's tax charge of £193m included an underlying charge of £220m at an effective rate of 21.3% (2014 – 23.3%) on the adjusted profit before tax. The reduction in the effective rate is a result of the mix of profits earned in different tax jurisdictions, the reduction in the UK corporation tax rate from 21% to 20% with effect from 1 April 2015 and the conclusion of tax audits in a number of businesses. With profit increasing in businesses subject to a corporate tax rate higher than the UK, we expect the group's effective tax rate to increase from this level.

The overall tax charge for the year benefited from a credit of £8m (2014 – £21m) for tax relief on the amortisation of non-operating intangible assets and goodwill arising from previous acquisitions. A tax credit of £22m arose on the exceptional item and the net profit on the sale of fixed assets gave rise to a tax charge of £3m. No tax credit is recognised on the loss on disposal of businesses as no relief is available.

JOHN BASON, FINANCE DIRECTOR

Earnings and dividends

Earnings attributable to equity shareholders were £532m and the weighted average number of shares in issue during the year, which is used to calculate earnings per share, was 790 million (2014 – 790 million). Earnings per ordinary share were 30% lower than last year at 67.3p as a result of the exceptional charge and the losses on sale of businesses. Adjusted earnings per share, which provides a more consistent measure of trading performance, fell by 2% from 104.1p to 102.0p.

The interim dividend was increased by 3% to 10.0p and a final dividend has been proposed at 25.0p which represents an overall increase of 3% for the year. The proposed dividend is expected to cost £198m and will be charged next year. Dividend cover, on an adjusted basis, is 2.9 times.

Balance sheet

Non-current assets of £6.4bn were £0.4bn lower than last year. Although capital expenditure was again higher than depreciation and amortisation charges this year, this was more than offset by foreign exchange translation losses and assets disposed, with the result that the carrying value of intangible assets and property, plant and equipment fell by £100m and £177m respectively.

Working capital at the year end was £101m lower than last year reflecting lower food commodity prices and although inventories were higher driven by year end European sugar stock levels and higher new-season inventory at Primark, this was more than offset by lower trade receivables and higher trade payables. Average working capital as a percentage of sales was broadly level with last year at 9.4%. Net borrowings at the year end were £252m lower than last year at £194m as a consequence of another strong cash flow performance.

A currency loss of £432m arose on the translation into sterling of the group's foreign currency denominated net assets. The group's net assets fell by £202m to £6,551m.

Return on capital employed for the group, which is calculated by expressing adjusted operating profit as a percentage of the average capital employed for the year, was 17.6% compared with 18.9% last year. The primary reason for the decline was the reduction in sugar profits although there was also a small dilution of Primark's high return which reduced from 33.2% to 31.1% reflecting the impact of a higher level of markdown on its profit margin. The other three business segments all delivered an increase on last year largely driven by profit improvement, with little change in average capital employed.

Cash flow

The group generated a net cash flow from operating activities of £1,166m this year with a working capital outflow of £66m, driven by the higher level of sugar stocks and Primark inventory, compared to last year's inflow of £100m.

Gross expenditure on property, plant and equipment and intangibles amounted to £613m compared with £708m last year. Primark spent £306m on the acquisition of new stores, the fit-out of new and existing stores and on the expansion of warehouse capacity including new facilities in the Czech Republic and the US. Expenditure in the food businesses was lower than last year which saw the completion of our programme to modernise our UK bakeries. £72m was realised this year from the sale of property, plant and equipment, the major elements of which were the sale of former Primark sites and the redevelopment of a former factory site in Western Australia which is progressing well with a number of lots sold for housing development during the year.

The purchase of Dorset Cereals comprised the majority of the £52m invested in business acquisitions.

Financing

The financing of the group is managed by a central treasury department. The group has total committed borrowing facilities amounting to £2.1bn, which comprise: £0.6bn of US private placement notes maturing between 2016 and 2024, with an average fixed rate coupon of 5.1%, £78m of which is payable in March 2016; £1.2bn provided under a syndicated, revolving credit facility which matures in July 2020 with an option to extend by a further year; and £0.3bn of local committed facilities in Africa and Spain. During the financial year we repaid, from existing cash resources, a £120m loan from the European Investment Bank. At the year end, £728m was drawn down under these committed facilities. The group also had access to £0.7bn of uncommitted credit lines under which £156m was drawn at the year end. Cash and cash equivalents totalled £702m at the year end.

OUR GROUP STRATEGY AND BUSINESS MODEL

Our businesses are organised so that they are close to the markets and customers that they serve.

Pages 8 and 9 Group business model and strategy

The financial strength and flexibility of the group is enhanced by diversifying our sources of funding and having certainty of finance over a long period. The strength and breadth of the 12 banks in the syndicate reflect the scale and international presence of the group and particularly our increasing activities in continental Europe through Primark's expansion.

Pensions

Pension liabilities in the group's defined benefit pension schemes exceeded employee benefit assets at the year end by £16m compared with last year's deficit of £43m. The UK scheme accounted for 92% of the group's total pension assets and the increase in the market value of these assets during the year exceeded the increase in the present value of scheme liabilities. Total contributions to defined benefit plans in the year amounted to £39m (2014 – £41m). A triennial valuation of the UK scheme was undertaken as at 5 April 2014 which was agreed by the trustees in December 2014, and revealed a surplus of £79m. As a result there was no requirement to agree a recovery plan with the trustees.

The charge for the year for the group's defined contribution schemes, which was equal to the contributions made, amounted to £76m (2014 – £76m) which was substantially greater than the cash contribution made to the defined benefit schemes reflecting the changing shape of pension provision in the group.

John Bason
Finance Director

CORPORATE RESPONSIBILITY

THE ETHICAL WAY IN WHICH WE OPERATE

In our 80 year history we have succeeded by empowering and trusting those who run our businesses to make ethical decisions.

We have structures and policies which support our employees to make good decisions but it is our culture which establishes our expectations and shapes how we operate. We call this culture the Essence of Associated British Foods. For more information see our 2015 CR Update at www.abf.co.uk.

An ethical business
At Associated British Foods we believe that an ethical business is primarily built by its people.

We nurture ethical business practices through the actions we undertake every day and if we observe something is not right we act quickly to correct it.

A decentralised business
We match our high moral expectations with the autonomy that we give to each business and the individuals employed within them.

Although we have a highly decentralised structure, we are more than simply the sum of our parts.

A guided business
The corporate centre plays an important governance function to complement our decentralised structure.

Assuring our ethical culture involves a robust and rigorous process of internal verification.

A focused business
Since our 2013 CR report, each business has been engaged in a process to prioritise the CR issues upon which they will focus.

By aggregating these business-by-business priorities, we have identified our groupwide priorities. This approach creates focus whilst remaining true to our culture of decentralisation.

The groupwide priorities of our CR programme are categorised into four groups, or pillars, which you will see reflected throughout our communications:

RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

BEING RESPONSIBLE FOR OUR PEOPLE

BEING A RESPONSIBLE NEIGHBOUR

RESPONSIBLE FOR PROMOTING GOOD HEALTH

Further information can be found in the Associated British Foods CR Update 2015.

RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

We integrate responsible stewardship of our environment into operational decisions by investing in technology and efficient equipment, employing and training people with the right skills, sharing best practice across our businesses and constantly developing our approach to measurement and reporting.

We take an active approach to managing and reducing our environmental impact. We are mindful that the success of many of our businesses is dependent on a range of sustainable environmental assets. With the demand for food and clothing increasing as the global population grows, combined with climate change, regulatory uncertainty and increased pressure for healthy farming land, we have a moral and commercial responsibility to conserve and, where possible, enhance the environment in which we operate.

The areas where we have greatest environmental impact and risk are:

- the use of energy and the resultant greenhouse gas (GHG) emissions;
- the abstraction of water and discharge of effluent; and
- the generation and disposal of waste.

As we have been addressing these issues for a number of years, we are able to report trend data that demonstrates our commitment to managing our environmental footprint effectively. We continue to refine our measurement and reporting of these issues. We analyse our environmental data to help us identify opportunities to generate operational efficiencies, integrate processes and minimise our environmental impact.

Our challenges and achievements this year

This year a number of our businesses have responded to localised environmental issues including drought, flooding and harsher winters. These events have had varying degrees of impact on our direct operations and suppliers, and have been particularly evident in our agricultural and sugar businesses. Despite these difficulties and recognising that we have increased production output by 3% since last year, we are pleased with our groupwide progress this year. Highlights include:

- 76% of our waste was recycled;
- 50% of energy used was from renewable sources; and
- 96% of our sites operated without an environmental complaint.

Environmental compliance

During 2015, we received four fines totalling £1,000 for environmental matters including the handling of construction waste and a pipe leak. All issues have been addressed and rectified.

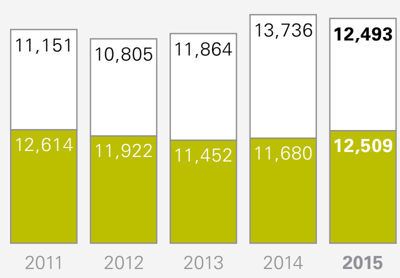
We received 50 complaints, down 32% from 74 in 2014. The majority were related to noise, dust and odour. We regret any inconvenience caused to the communities in which we are located and continue to seek ways to eliminate the cause of such incidents.

Our sites are often visited by environmental regulators for routine sampling and inspection visits or as a result of incidents. In 2015, we received 580 visits which is 7% fewer than in 2014. We always fully engage with national and local regulators to help us meet or exceed regulatory standards.

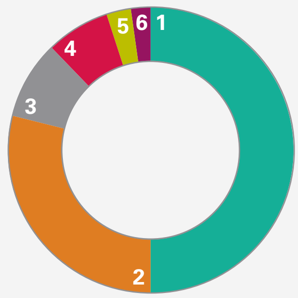
Energy

In 2015, our absolute use of energy was 25,002 GWh compared to 25,416 GWh in 2014. This is a 2% reduction which is the result of energy efficiency improvements and a reduction in the amount of renewable fuel used at some of our sugar operations.

Total consumption of energy
In GWh, split by renewable and non-renewable energy



Types of energy used in 2015



CORPORATE RESPONSIBILITY

RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT CONTINUED

50% of our energy consumption is from renewable fuel sources, reducing from 13,736 GWh in 2014 to 12,493 GWh this year. The majority of our renewable energy comes from bagasse which is the residual fibre that remains after the extraction of juice from the crushed stalks of sugar cane.

A number of our sites generate their own energy and often make more than is needed; exporting surplus electricity to the national grid or other organisations. In 2015, we exported 830 GWh which is a 5% increase on last year due to longer sugar campaigns in Europe and the outcome of energy efficiencies across our African sites.

Greenhouse gas emissions

Last year we reported our greenhouse gas emissions for the first time. Again, we are reporting our total emissions from the operational and agricultural activities of our businesses for which we are directly responsible.

In 2015, our total greenhouse gas emissions amounted to 9,607,000 tonnes of carbon dioxide equivalent (CO_2e), which is consistent with the gross amount emitted last year despite our increased production output. Our intensity ratio for 2015 was 751 tonnes per £1m of revenue. This is a small increase on last year due to a 1% decline in the group's revenue.

The majority of our gross emissions are from the energy we use in our premises. We generate a large proportion of our energy either through our on-site power stations or from the burning of fuels. The remainder of our energy requirement is from purchased electricity and steam contributing 1,081,000 tonnes of CO_2e to our gross emissions.

Of the 6,802,000 tonnes of CO_2e emitted by our Sugar businesses, two-thirds was generated from the use of bagasse. The combustion of sugar cane biomass is regarded as carbon neutral and is therefore included in our calculations of total net emissions.

This year we are reporting separately the emissions from the generation and use of renewable energy on our sites. As described above, the majority of our renewable energy is steam and electricity generated from bagasse. The steam is used to provide the heating requirements of the sugar production process and then to generate renewable electricity through cogeneration. As sugar cane grows it absorbs carbon dioxide from the air which is then released during cogeneration. As such we have reported emissions from the generation and use of renewable energy as having a net zero effect on our total emissions.

For 2015, our total net emissions are 5,246,000 tonnes CO_2e. This is 8% higher than last year's total net emissions primarily due to less bagasse being used across our sugar businesses in Africa and China.

We developed detailed reporting guidance for our companies including estimation methodologies and assumptions which have taken into account guidance from ISO 14064/1 and the Greenhouse Gas Protocol. See 'Our CR Reporting Guidance 2015' at www.abf.co.uk for our GHG methodology and more detail about how we quantify our emissions including emission scopes.

Water

Water management has been a priority for the group over the last five years, with a focus on measuring and reporting performance data which appropriately reflects all the water we abstract, use and discharge.

Previously we have reported the water used in our premises which are primarily factories although smaller amounts are used in offices, stores, warehouses and accommodation. For the first time we are reporting the total water abstracted for use in our premises and for agricultural purposes. This is in recognition of the fact that we rely on the availability of quality water to grow raw ingredients as well as process finished goods.

Our greenhouse gas emissions

	2015 emissions (tCO_2e)		2014 emissions (tCO_2e)	
Total gross emissions	**9,607,000**		**9,656,000**	
Generation and use of renewable energy	(4,361,000)		(4,788,000)	
Total net emissions	**5,246,000**		**4,868,000**	
Emission intensity (gross)	751 tonnes per £1m of revenue		746 tonnes per £1m of revenue	
Gross emissions by business division				
Sugar	6,802,000	71%	7,025,000	73%
Other	2,805,000	29%	2,631,000	27%

Total gross emissions includes emissions from the use of energy within our factories and stores, our manufacturing processes, the operation of owned and third-party vehicles and from directly controlled agricultural activities. See 'Our CR Reporting Guidance 2015' at www.abf.co.uk for our GHG methodology and more detail about how we quantify our emissions including emission scopes.

The total amount of water abstracted for our use in 2015 was 1.1 billion m^3. Of this amount, 29% was used in our premises and 71% was used for agricultural purposes, primarily to irrigate our extensive sugar beet and cane fields.

Many of our businesses are focused on reusing water throughout their operations before it is discharged or used to supplement irrigation water. Waste water discharged to the local catchment is treated on site to comply with local standards or taken away and managed by local authorities.

As reported last year, Illovo has been reviewing its approach to water management, culminating in a new strategy for the next five years. Through tighter operational performance standards, the strategy aims to reduce unnecessary water losses, maximise reused water and implement better monitoring and reporting. As Illovo's water footprint methodology continues to mature and as the rest of our businesses continue to invest in water management, the data we report in future years is expected to reflect these developments.

Waste management

In 2015, we generated 219,000 tonnes of non-hazardous waste which is an annual increase of 33%. This increase can mainly be attributed to the closure of two sugar beet factories in China. These sites reported larger quantities of waste which were generated during the process of emptying, cleaning and closing the factories. Without these disposals, the group's non-hazardous waste would have increased by 6%, most of which is a consequence of increasing production.

We recognise that during the year there have been limitations to the monitoring of non-hazardous waste removed from sites in northern China. As such, the sites have estimated the weight of regularly generated waste based on assumptions and experience which we believe provides a good approximation of tonnage of waste disposed. Further work will be carried out to improve measurement of waste at these sites.

This year, we have generated 6,000 tonnes of hazardous waste which is a 40% reduction on the previous year. The high level last year was unusual due to the one-off safe removal of asbestos from one site in Australia.

ILLOVO'S RESPONSE TO CLIMATE CHANGE

Illovo's operations are exposed to variable climate conditions in sub-Saharan Africa.

As a result, focus has been placed on increasing the resilience of our operations to drought and rainfall variability. Mechanisms to achieve this include the selection and cultivation of resilient cane varieties and soil moisture management techniques aimed at water conservation. Illovo continues to cultivate varieties that are only developed through conventional processes and to mitigate the risk of the spread of pests and diseases by having a policy which allows for no more than 30% of the growing area to consist of one cane variety.

Over 700,000 tonnes, which is 76% of the total waste generated this year, was diverted from landfill and reused or recovered for a beneficial purpose. This is a 24% reduction in the recycled waste we reported last year due to the introduction of a new key performance indicator to separate the amount of water reused in order to demonstrate our holistic approach to waste and waste water management. We intend to report this when all relevant sites have finished implementing their monitoring processes.

31% of our production sites have achieved zero waste to landfill this year with other sites continuing to work towards this target.

Product and packaging

The quantity of packaging used for the containment, protection and safety of our products in 2015 was 238,000 tonnes which is an increase of 3% since 2014. This increase is in line with our manufacturing production and increasing Primark sales.

Since 2011, the tonnes of packaging per tonne of product has reduced by 21% demonstrating our sustained focus on reducing packaging.

Responsible sourcing of palm oil

The group's commitment to sourcing only RSPO certified sustainable palm oil products by 2015 applies across all of our businesses. We aim to buy as much physically certified sustainable products as possible. However, as 70% of the volume we procure is in products in which palm oil or its derivatives are an ingredient, this is not always feasible. We therefore met our target by utilising the RSPO-approved Book&Claim supply chain scheme.

GREENPEACE DETOX CAMPAIGN

Primark has a robust process in place to manage chemicals, and we recognise the importance of continuing to evolve this in line with industry best practice. In February 2014, we signed up to Greenpeace's global Detox campaign and committed to phase out the use of certain chemicals within the supply chain by 2020.

In 2014, we worked with chemical experts and three key suppliers in China to look closely at how chemicals are used during production of textiles and to conduct waste water testing. We did this in order to gain an in-depth understanding of current chemical management practices within dyeing mills and washing units. As our first pilot in China comes to a close, we are expanding the programme to include more suppliers in China and Bangladesh. In response to Greenpeace's Detox campaign other retailers facing similar challenges came together to found the Zero Discharge of Hazardous Chemicals (ZDHC) working group, of which Primark is a member.

In 2015, Greenpeace ranked Primark as a leader as part of its annual Detox Catwalk. Primark is pleased to be recognised as a leader on this issue, one that is particularly important to its customers, and the people that work in its supply chain.

CORPORATE RESPONSIBILITY

BEING RESPONSIBLE FOR OUR PEOPLE

Maintaining safe working environments with strong ethical labour standards for our people and all who work with us is core to the way we operate.

Health and safety

As our businesses strive to achieve injury-free workplaces, maintaining a strong culture of safety with clear leadership is of fundamental importance. Over recent years, there has been increased engagement with employees on their own responsibility for reducing risks to themselves and colleagues. We also expect our people and contractors to go home from work as healthy as when they arrived, unaffected by their tasks or working environment. Occupational health specialists monitor the working practices across our sites to ensure they are healthy places to work.

We have made significant improvements to our safety performance over the past five years but continue to face challenges. One of our largest challenges is maintaining safety performance whilst our businesses continue to grow. We incorporate our established safety practices and ways of working into all new sites.

During 2015, our businesses invested £33m in health and safety including over £13m spent on major safety projects and operational improvements.

This year over 20,000 contractors worked across our sites. We treat our people and on-site contractors in the same way, and in return expect the same high workplace safety standards from all who work in our operations. We do, however, recognise that more work is required to ensure on-site contractors adopt the same level of safety that we expect from our people. In parallel, our businesses have a duty of care to keep contractors safe. During the year we published our contractor management guidance which is now being implemented across the group.

Fatal injuries

The prevention of fatalities and serious accidents in the workplace is an absolute priority throughout the group. We have robust procedures to minimise risks including safety communications, training, regular audits and embedded monitoring and reporting of working practices.

We deeply regret one work-related fatality this year which occurred in Africa. Despite clear safety instructions by the vehicle conductor, a contract agricultural worker attempted to board a reversing people carrier. He slipped and fell sustaining fatal head injuries. A full investigation identified opportunities to further strengthen our controls and these have been implemented at all relevant sites. All work-related deaths are reported to the Associated British Foods board and local management is held to account.

Injuries to employees

During 2015, we recorded 465 employee reportable injuries resulting in our reportable injury rate increasing to 0.48%. Although there has been an increase overall in reportable injuries, there have been significant and sustained efforts to prevent injuries. Our operations in Africa, Australasia and North America have all continued a downward trend in reportable injuries over the last five years.

We also recorded an increase in employee Lost Time Injuries (LTIs) partly due to growth in the business and partly due to how injuries are treated in specific countries. Despite this increase, 61% of our sites recorded zero LTIs this year and 36 of our high risk manufacturing sites achieved at least five years without an LTI.

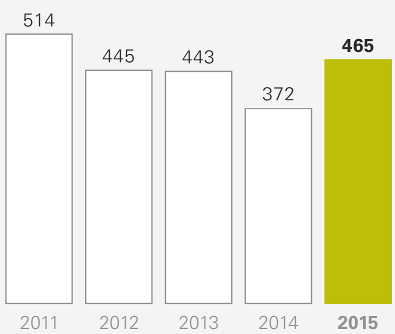
Health and safety compliance

During 2015, we received four safety fines for breaches of safety regulations. The number of safety fines is the same as last year even though the number of operational sites has increased. The total cost of the fines was £19,000. Fines were received for issues around machine guarding, electrical safety, machine isolation during cleaning and as a result of contractor injuries from a vehicle. For more information see our 2015 CR Update at www.abf.co.uk/responsibility.

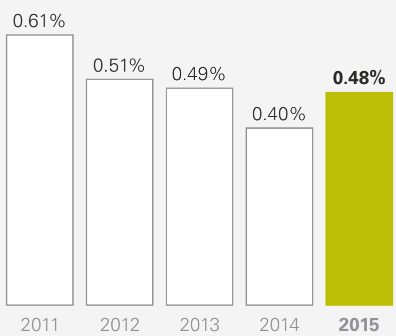
All businesses are required to report to the Group Safety and Environment Manager the details of their remedial actions. These incidents are also shared with the safety managers across the group so that each business can learn how to mitigate similar risks.

We recognise that despite having a high safety culture there are always opportunities to improve and a need continuously to review our approach to safety management.

Reportable injuries
Reportable according to the laws of each country



Reportable injury rates
Percentage of employees having a reportable injury



Human rights

Associated British Foods promotes human rights and dignity through the employment we create, both directly and indirectly in our global supply chains, and through the positive contribution our products make to people's lives. Our commitment to respect human rights is founded on a strong ethos of workplace safety and employee wellbeing, and is supported by our commitment to ensure compliance with the UN Declaration on Human Rights. We value our ongoing engagement and collaboration with a broad range of interested and concerned stakeholder groups. We are active in our collaborative approach, seeking to remain sensitive to the risk of breaching human rights resulting from our products, services and operations.

As a matter of good practice, we risk-assess the impact that our operations may have on the protection and respect of human rights. We ensure a greater focus on operations under the jurisdiction of governments that have a lesser commitment to the protection of human rights. This year we have focused on identifying the salient human rights risks which we would need to tackle as a group, and the best way to manage the issues identified.

A more detailed explanation of our approach to respecting human rights and the focus areas over the next few years can be found within the 2015 CR Update at www.abf.co.uk/responsibility.

PROJECT SAFE

Project SAFE is AB Mauri's new global approach to health and safety which aims to embed a safe working environment that sustains zero injuries and zero work-related ill health. The project has seen the development of a business-wide framework of standards, processes and a Health and Safety Management System all aimed at changing behaviours and improving health and safety outcomes.

Project SAFE is centred on four areas:

1 People
Supporting the development of the right behaviours in employees including communications, engagement and empowerment, to ultimately enable culture change within the businesses.

2 Procedures
Discipline to ensure that optimal processes and procedures exist and are followed.

3 Places
Ensuring that assets and working environment, including new and existing facilities, are safe to operate and well maintained in order to remove any potential obstacle to safe behaviours.

4 Continuous improvement
Performance assessments and feedback are used to monitor progress and secure continuous improvement.

Project SAFE was piloted at AB Mauri's manufacturing site in Casteggio, Italy. The experience at this site has formed the basis for regional and global engagement of all AB Mauri manufacturing, distribution and office facilities. It has already been implemented in a number of beacon sites including in Brazil, China, India and the US, and will now be rolled out globally.

With monthly tracking of key performance indicators, regular internal reporting and transparency across the business, and visible leadership sponsorship for the programme, AB Mauri is already seeing positive changes in its safety performance.

Diversity and inclusion

We are committed to promoting and developing diverse talent across all of our businesses. We aim to run businesses which attract and retain the best talent by creating a culture that is welcoming to everyone. In common with many companies, our businesses vary in the proportion of women in the workplace. As such we have a number of initiatives focused on gender diversity in particular. Our objective is not forced uniformity, rather a uniform culture where women are respected as colleagues and leaders.

Since 2011, we have implemented a number of initiatives including unconscious bias training, mentoring, women's development programmes and a gender diversity task force.

We know that women are under-represented at the most senior management levels in some of our businesses. However, we have a long-term commitment towards gender equality and the promotion of women to create a positive change.

Our health, safety and diversity reporting definitions can be found at www.abf.co.uk/responsibility.

Gender metrics

	Total employees*	Men	Women	Percentage of women in workforce	Number of senior management roles**	Number of women in senior management roles	Percentage of senior management who are women
Sugar	37,305	30,732	6,573	18%	240	55	23%
Grocery	17,059	11,702	5,357	31%	863	320	37%
Ingredients	6,501	4,959	1,542	24%	539	134	25%
Agriculture	2,247	1,683	564	25%	242	59	24%
Retail	60,645	15,700	44,945	74%	147	51	35%
Central	279	162	117	42%	61	21	34%
Total	**124,036**	**64,938**	**59,098**	**48%**	**2,092**	**640**	**31%**

* Full-time, part-time and seasonal/contractors. ** Includes directorships of subsidiary undertakings.

CORPORATE RESPONSIBILITY

BEING A RESPONSIBLE NEIGHBOUR

A good business takes seriously its responsibility to treat the people who live close to its operations with respect and in a neighbourly manner. We seek to be welcomed around the world as a positive contributor to the life of the community.

PRIMARK'S CHARITY PARTNERSHIP WITH NEWLIFE

Primark's partnership with the Newlife Foundation in the UK and Ireland started in 2010. Any items that are returned to our stores by customers or not required by the organisation are donated to the charity. The Newlife Foundation will then recycle all of these products in an environmentally-friendly manner and use the profits to support their work with disabled children.

These profits go towards purchasing equipment such as wheelchairs, pain-relieving beds, communication aids, nurse services, medical research, and campaigning and awareness activities.

Last year this partnership was implemented in all stores across Europe and it has so far generated almost €3m in funding for Newlife.

With funding raised, Newlife can provide essential equipment like Andrew's specialist powered wheelchair.

RESPECTING LAND RIGHTS

As an agricultural business, the issue of land rights is important to AB Sugar. This is a particular concern for Illovo since it operates in countries still struggling to repair the damage done by years of legislated racial segregation.

In South Africa, Illovo has sold and transferred 52% of its agricultural land holdings to historically disadvantaged communities. It works proactively with black farmers, holding training programmes that offer assistance to new cane growers, thereby supporting the long-term commercial sustainability of their farms.

In 2014, Illovo released its Group Guidelines on Land and Land Rights (available at www.illovosugar.co.za) for its operations and supply chain. The guidelines articulate the business's position on land, land rights, land acquisitions and sustainable farming practices and establishes its zero tolerance to land grabs.

Illovo is now working with local stakeholders to embark on a process of identifying the key land-related issues affecting the business, and prioritising initiatives to address these. Oxfam called Illovo's approach to land rights 'bold' and noted the business's 'genuine interest in using their influence to protect the land rights of the communities in which it operates'.

Thulas Ngidi is living his late father's dream, having acquired his first farm from Illovo on the KwaZulu-Natal South Coast, and later going on to purchase two further adjacent farms.

GIVING YOUNG PEOPLE AN INSIGHT INTO MANUFACTURING

AB Agri supports 'See Inside Manufacturing', a national flagship programme devised by the Department for Business, Innovation and Skills to give young people an insight into modern manufacturing, showcasing opportunities in technology, engineering and science. Its Walsingham feed mill hosted a group of school pupils, giving them the opportunity to learn more about how the business works.

The business also encourages school pupils to think about engineering through a growing partnership between Fair Oak Academy and the Rugeley site team.

Staff have been supporting a group of students with their 'Green Car Challenge'. The scheme aims to get more young people excited in STEM subjects by involving them in designing, engineering and manufacturing a car from scratch. The business has also provided financial support for performance analysis software and radio communication equipment.

RESPONSIBLE FOR PROMOTING GOOD HEALTH

Promoting good health is a principle our businesses put into action every day.

At the most direct level, this means striving for the highest standards on food safety and improving the nutritional content of our food and ingredients. Where we have less control, we aim to use our influence to improve the health of the people around us by implementing employee wellbeing programmes and supporting the health of workers in developing countries.

PROMOTING GOOD HEALTH IN DEVELOPING COUNTRIES

Twinings Ovaltine relies on suppliers in India and China to source the majority of its tea. These developing countries face numerous challenging health issues and the business has formed partnerships with three major international NGOs to play a part in mitigating them.

Protecting girls on tea estates in Assam, India

Twinings Ovaltine is currently working with UNICEF on 63 tea estates to support 34,000 girls who live on the tea estates where their parents work. The project aims to empower and protect the girls through the formation and strengthening of adolescent girls' groups and child protection committees and nutrition-related activities such as setting up health food shops, kitchen gardens, cooking demonstrations and nutrition sessions.

Supporting child and maternal health in Yunnan, China

Since 2011, Twinings Ovaltine has worked with Save the Children in Yunnan to train healthcare providers in this remote and mountainous area where there is limited access to health services and a lack of knowledge about child health. To date, 107 village healthcare providers and 15,000 caregivers have been trained, and there has been a 26% reduction in the mortality rate of children through training healthcare workers and educating communities.

EDUCATING CONSUMERS ABOUT SUGAR

As a responsible business, AB Sugar is actively contributing to the debate about the role that sugar can play as part of a healthy, balanced diet. Launched in September 2014, the Making Sense of Sugar education campaign (www.makingsenseofsugar.com) aims to help inform and educate people about sugar and the role it can play as part of a healthy balanced diet. The content is based on robust science and informed dialogue, with information about sugar provided in a way which is straightforward and informative.

The consumer-friendly website tackles myths about sugar as well as offering films, guides, recipes and interactive quizzes. The website is continually evolving to reflect the latest scientific consensus, UK dietary guidelines, consumer questions and feedback. It now hosts a regular guest blog written by leading experts plus a Guide to Sugars that helps consumers understand the calories and sugars in some everyday kitchen and seasonal favourites.

REFORMULATION FOR HEALTHIER PRODUCTS

All our food businesses are engaged in a continual process of product review and reformulation. Our priority is to respond to consumers' needs and provide products that help them lead healthy lives.

Our UK Grocery businesses are all signatories to the UK government's Responsibility Deal on Public Health and, over recent years, they have made adjustments to many of their products to reduce the sugar, salt and fat content while maintaining taste. For example, Jordans, Dorset & Ryvita uses some added sugar in its granola and cluster cereals to add flavour and hold the ingredients together. Over the past 18 months, it has made incremental reductions and has achieved an average 12% cut in added sugar across the range.

Our Ingredients businesses are well positioned to use their scientific research and development to make essential ingredients healthier. AB Mauri has created a way to reduce the sodium content of certain ingredients and is working on new lower-sodium baking powders.

PRINCIPAL RISKS AND UNCERTAINTIES

EFFECTIVE RISK MANAGEMENT IS CENTRAL TO THE BOARD'S ROLE IN PROVIDING STRATEGIC OVERSIGHT AND STEWARDSHIP OF THE GROUP

Risk management

The board views effective risk management as part of its role in providing strategic oversight and stewardship of the group. In order to deliver our strategic plans, we believe we must understand and respond appropriately to risks and also consider whether additional business opportunities can be realised through effective risk management.

We require all of our businesses to implement appropriate levels of risk management to ensure compliance with relevant legislation, our overriding business principles and group policies relating to them.

We have embedded a process for identifying risks and put in place activities to mitigate them. Our decentralised business model empowers the management of our businesses to identify, evaluate and manage the risks they face on a timely basis. The collated risks from each business are shared with the respective divisional chief executives who present their divisional risks to the group executive.

The group's Director of Financial Control receives the risk assessments on an annual basis and, with the Group Finance Director, reviews them with the divisional chief executives. These reviews include questioning the approach taken to risk management in the businesses, reviewing the detailed risk logs and supporting materials, checking how well processes are embedded, and questioning how effectively risk management has driven business decisions. These risks and their impact on business performance are reported during the year and are considered as part of the monthly management review process.

Group functional heads including Legal, Treasury, Tax, IT, Pensions, HR and Insurance also provide input to this process, sharing with the Director of Financial Control their view of key risks and what activities are in place or planned to mitigate them.

A summary of these risk assessments is then shared and discussed with the Group Finance Director and Chief Executive.

The board undertakes an annual review of the material risks facing our businesses together with the internal control procedures and resources devoted to them. It also monitors the group's exposure to these risks as part of the performance reviews undertaken at each board meeting. Financial risks are reviewed by the Audit Committee and all other risks are reviewed by the board.

The Director of Financial Control holds meetings with each of the non-executive directors seeking their feedback on the reviews performed and discussing the key risks and mitigating activities. Once all non-executive directors have been consulted, a board report is prepared summarising the full process and providing an assessment of the status of risk management across the group. The key risks, mitigating controls and relevant policies are summarised. This report also details when formal updates, relating to the key risks, will be provided to the board throughout the year.

Reporting our principal risks and uncertainties

The group's principal risks and uncertainties identified by the above process during 2015 are detailed in the following tables. They are grouped into external risks, which may occur in the markets or environment in which we operate, and operational risks, which are related to internal activity linked to our own operations and internal controls.

The 'Changes since 2014' highlight the significant variations in the profile of our principal risks or describe our experience and activity over the last year.

These are the principal risks of the group as a whole and are not in any order of priority. The operational and product diversity of the group reduces the impact that any one business risk can have on the group's results. Risks such as the loss of a major site or water use and availability have been reported in previous years and, although we remain exposed to them and continue to take action to mitigate them, we no longer consider them likely to have a material impact.

KEY

Risk trend arrows

- ⬆ Risk has increased.
- ➡ Risk is unchanged.

EXTERNAL RISKS

Risk trend	Context and potential impact	Mitigation	Changes since 2014
⬆	**MOVEMENT IN EXCHANGE RATES AND INFLATION** Associated British Foods is a multinational group with operations and transactions in many currencies. Changes in exchange rates give rise to transactional exposures within the businesses and to translation exposures when the assets, liabilities and results of overseas entities are translated into sterling upon consolidation. Exchange rates between some of our major trading currencies have changed markedly this year.	Businesses impacted by exchange rate volatility, specifically those manufacturing or purchasing in one currency and selling in another, constantly review their currency related exposures. Board approved policies require businesses to hedge, using foreign exchange forward contracts, all transactional currency exposures, and long-term supply or purchase contracts which give rise to currency exposures. Borrowings are largely maintained in the functional currency of the local operations. Cross currency swaps are used to align borrowings with the underlying currencies of the group's net assets. (Refer to note 24 to the financial statements for more information.)	The US dollar appreciated and the euro weakened over the last 12 months with the effect that the average US dollar/euro exchange rate moved by 15% over that period. The impact on adjusted operating profit for 2014/15 from the translation of overseas results into sterling was a loss of £31m compared with the prior year. Towards the end of the financial year, emerging market currencies weakened significantly against sterling.
⬆	**FLUCTUATIONS IN COMMODITY AND ENERGY PRICES** Changes in commodity and energy prices can have a material impact on the group's operating results, asset values and cash flows.	We constantly monitor the markets in which we operate and manage certain of these exposures through the use of exchange traded contracts and hedging instruments. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.	Our businesses have been affected by the global trends in commodity prices, the most significant of which have been low EU and world sugar prices that had a substantial effect on the profitability of our sugar businesses, and a fall in cereal prices which contributed to lower revenues for AB Agri's UK feed business.
⬆	**OPERATING IN GLOBAL MARKETS** Operating in 48 countries with a supply chain covering even more, we are exposed to global market forces, fluctuations in national economies, societal and political changes, a range of consumer concerns and evolving legislation. Failure to recognise and respond to any of these factors could directly impact the profitability and even the viability of our operations. Entering new markets is a risk to any business.	Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The group's financial control framework and board adopted tax and treasury policies require all businesses to comply fully with relevant local laws. Provision is made for known issues based on management's interpretation of country-specific tax law and the likely outcome. We engage with governments, local regulators and community organisations to contribute to, and anticipate important changes in, public policy. Extensive research is conducted into each new market that Primark enters, and, in the case of its entry into the US where there is no existing local infrastructure, care has been taken to limit capital investment to a minimum. Expansion into new markets in Europe is supported by our existing business which has extensive experience of developing a successful retail business model across Western Europe.	AB Sugar is addressing the consequences of the abolition of EU sugar quotas in 2017 and the performance improvement programme is substantially reducing the cost base and enhancing production efficiency. No significant regulatory developments have impacted our group during 2015 although our businesses are subject to increased enforcement activities in relation to existing regulations in, for example, China and India. Activity continued over the last 12 months in preparation for the opening, in September 2015, of Primark's first store in the US, supported by dedicated warehousing.

PRINCIPAL RISKS AND UNCERTAINTIES

EXTERNAL RISKS CONTINUED

Risk trend	Context and potential impact	Mitigation	Changes since 2014
	HEALTH AND NUTRITION Failure to respond appropriately to health and nutrition concerns in the formulation of our products could result in adverse consumer reaction. We must also act responsibly across the spectrum of food poverty and malnutrition to obesity.	Recipes are regularly reviewed and reformulated to improve the nutritional value of our grocery products, all of which are labelled with nutritional information. We develop partnerships with other organisations to help educate consumers about making healthy choices.	Our businesses continued to review their products and to partner with others to enable a swift and innovative response to changing consumer needs. As examples: across the Jordans range of granola and cluster cereals we have reduced the sugar content by 12% and, using scientific research, AB Mauri has been developing a way to reduce high sodium ingredients such as lower-sodium baking powders. British Sugar and Azucarera both launched or supported websites aimed at helping people make informed decisions about their food.

OPERATIONAL RISKS

Risk trend	Context and potential impact	Mitigation	Changes since 2014
	WORKPLACE HEALTH AND SAFETY Many of our operations, by their nature, have the potential for injuries and fatal accidents to employees, contractors and visitors.	Safety continues to be the number one priority for our businesses with active endorsement and accountability from the chief executives of each business. Our Health and Safety Policy and practices are firmly embedded in each business, supporting a strong ethos of workplace safety. Independent audits are conducted to verify implementation and support continuous improvement. Best practice safety and occupational health training and guidance are shared across the businesses, co-ordinated from the corporate centre, to supplement the delivery of their own training programmes.	Sadly we had one fatality this year which occurred in our operations in Africa. Our group reportable injury rate increased slightly this year from 0.40% to 0.48%. However, our operations across Africa, Australasia and North America continued their downward trend in reportable injuries. We have introduced contractor safety guidance across the group.
	PRODUCT SAFETY AND QUALITY As a leading food manufacturer and retailer it is fundamental that we manage the safety and integrity of our products throughout the supply chain.	Across the group, product safety is put before economic considerations. Our businesses employ quality control specialists and operate strict policies within an organisational culture of hygiene and product safety to ensure that consistently high standards are maintained in our operations and in the sourcing and handling of raw materials and garments. We monitor the regulatory environment and emerging scientific research while reviewing our food safety systems for efficacy and legal compliance. A programme of independent food quality and safety audits is undertaken across all of our manufacturing sites and a due diligence programme is in place to ensure the safety of our retail products.	

OPERATIONAL RISKS CONTINUED

Risk trend	Context and potential impact	Mitigation	Changes since 2014
➡	**OUR USE OF NATURAL RESOURCES AND MANAGING OUR ENVIRONMENTAL IMPACT** Our businesses rely on a stable supply of natural resources some of which are vulnerable to external factors such as natural disasters and climate change. Our operations give rise to a range of emissions including dust, waste water and waste which, if not controlled, could lead to a risk to the environment and our local communities.	We aim to go beyond environmental compliance. Our businesses employ environmental specialists who use the best available technologies and techniques to reduce our use of consumables, adapt operations to climate change and reduce our environmental footprint. We report group environmental performance every year in our Corporate Responsibility and Annual Reports as well as the voluntary CDP disclosure (formerly Carbon Disclosure Project).	The environmental performance of the group, with updates by division, is reported in the 2015 Corporate Responsibility Update at www.abf.co.uk/responsibility.
➡	**OUR SUPPLY CHAIN AND ETHICAL BUSINESS PRACTICES** Our suppliers are essential to the successful operation of the group. We therefore work with them to ensure reliability and to help them meet acceptable standards of product quality and safety, financial stability, ethics, technical competence and people safety. Potential supply chain and ethical business practice risks include: • reputational damage through supply chain weaknesses e.g. poor conditions for workers; • unacceptable and unethical behaviour, including bribery and corruption; • impact on reliability of supply and business continuity due to unforeseen incidents e.g. natural disasters; and • long-term sustainability of key suppliers.	Our Supplier Code of Conduct is designed to ensure suppliers, representatives and all with whom we deal, adhere to our values and standards. The full Code is available at www.abf.co.uk/supplier_code_of_conduct. Adherence to the Code is verified through ABF's supplier audit system with our procurement and operational teams establishing strong working relationships with suppliers to help them meet our standards. All businesses are required to comply with the group's Business Principles including its Anti-Bribery and Corruption Policy.	Over the year, our businesses have continued to engage with key suppliers on a range of shared issues such as maximising environmental and cost efficiencies, maintaining safe workplaces, supporting steady employment and increasing transparency across the wider supply chain. We have increased our ethical trade resources, both on-the-ground and centrally, to monitor suppliers. Primark signed up to Greenpeace's Detox campaign and has committed to phase out the use of certain chemicals within the supply chain by 2020.
⬆	**BREACHES OF IT AND INFORMATION SECURITY** Our delivery of efficient and effective operations is enhanced by the use of relevant technologies and the sharing of information. We are therefore subject to potential internal and external cyber threats such as computer viruses and the loss or theft of data. There is also the potential for disruption to operations from unforeseen IT and system malfunctions or external attack.	We seek to understand the changing cyber risks faced by our businesses and take appropriate action. We have well established processes, group IT security policies and technologies in place all of which are subject to regular internal audit. Access to sensitive data is restricted and closely monitored. Robust disaster recovery plans are in place for business critical applications. Technical security controls are in place over key IT platforms with the Head of IT Security tasked with identifying and responding to potential security risks.	During the year there has been an ongoing focus on raising the awareness of all employees of the risks associated with the use of IT.

On behalf of the board

Charles Sinclair
Chairman

George Weston
Chief Executive

John Bason
Finance Director

BOARD OF DIRECTORS

Charles Sinclair
Chairman (age 67)

Charles was appointed a non-executive director in October 2008 and as Chairman in April 2009. With wide business experience of both the UK and overseas, his executive career was previously with Daily Mail and General Trust plc, where he was chief executive from 1989 until he retired from that role and the board in September 2008. He was elected Warden of Winchester College in 2014.

Committee membership:
Chairman of the Nomination and Remuneration committees.

George Weston
Chief Executive (age 51)

George was appointed to the board in 1999 and took up his current appointment as Chief Executive in April 2005. In his former roles at Associated British Foods, he was Managing Director of Westmill Foods, Allied Bakeries and George Weston Foods Limited (Australia).

Other appointments:
He is a non-executive director of Wittington Investments Limited and a trustee of the Garfield Weston Foundation.

John Bason
Finance Director (age 58)

John was appointed as Finance Director in May 1999. He was previously the finance director of Bunzl plc and is a member of the Institute of Chartered Accountants in England and Wales.

Other appointments:
He is a non-executive director of Compass Group PLC, a trustee of Voluntary Service Overseas and chairman of the charity FareShare.

Emma Adamo
Non-executive director (age 52)

Emma was appointed as a director in December 2011. She was educated at Stanford University and INSEAD in France.

Other appointments:
She is a director of Wittington Investments Limited, and of the W Garfield Weston Foundation in Canada.

Ruth Cairnie
Independent non-executive director (age 61)

Ruth was appointed a director in May 2014. She has extensive overseas experience including international marketing and supply chain. Ruth was formerly Executive Vice President Strategy & Planning at Royal Dutch Shell Plc. This role followed a number of senior international roles within Shell, including Vice President of their Global Commercial Fuels business. She is a physicist by qualification.

Other appointments:
She is a non-executive director of Keller Group plc and of Rolls-Royce Holdings plc.

Committee membership:
Member of the Audit, Nomination and Remuneration committees.

Timothy Clarke
Independent non-executive director (age 58)

Tim was appointed a director in November 2004 and has been Senior Independent Director since December 2007. Tim has extensive experience of retailing. Until 2009, he was chief executive of Mitchells & Butlers plc, following its demerger from Six Continents PLC where he also held the position of chief executive. Previously he had been a partner of Panmure Gordon & Co before joining Bass PLC in 1990.

Other appointments:
He is a non-executive director of two pub and brewing companies, Hall & Woodhouse Limited, and Timothy Taylor & Company Limited, and also Triple Point VCT 2011 PLC.

Committee membership:
Member of the Nomination and Remuneration committees.

Javier Ferrán
Independent non-executive director (age 59)

Javier was appointed a director in November 2006. He spent the earlier part of his career with Bacardi Group, where latterly he served as president and chief executive officer. He has in-depth knowledge of consumer brands on an international basis and in international financing.

Other appointments:
He is a partner at Lion Capital LLP, a London-based private equity firm, and a non-executive director of SABMiller plc.

Committee membership:
Member of the Nomination and Remuneration committees.

Wolfhart Hauser
Independent non-executive director (age 65)

Wolhart was appointed a director in January 2015. Starting his career with various research activities, he went on to establish and lead a broad range of successful international service industry businesses. He was chief executive of Intertek Group plc for ten years until he retired from that role and the board in May 2015. He was previously chief executive officer and president of TÜV Süddeutschland AG for four years and chief executive officer of TÜV Product Services for ten years.

Other appointments:
He is chairman of FirstGroup plc. He is also a non-executive director of RELX Group plc and its listed parent companies RELX PLC and RELX NV.

Committee membership:
Member of the Audit and Remuneration committees.

Lord Jay of Ewelme GCMG
Independent non-executive director (age 69)

Lord Jay was appointed a director in November 2006 and has broad experience of government and international business. During his career in public service he was British Ambassador to France from 1996 to 2001 and Permanent Under Secretary at the Foreign & Commonwealth Office from 2002 to 2006. He was previously a non-executive director of Candover Investments plc, Valeo (the French-based automobile parts company) and of Electricite de France.

Other appointments:
He has been an independent member of the House of Lords since 2006. He is also chairman of the British Library Advisory Council and a trustee of the Thomson Reuters Founders Share Company.

Committee membership:
Member of the Audit, Nomination and Remuneration committees.

Peter Smith
Independent non-executive director (age 69)

Peter was appointed a director in February 2007 and brings broad experience of international financial matters. Formerly, he was senior partner at PricewaterhouseCoopers (PwC) in the UK. He served for two years as chairman of Coopers & Lybrand International and as a member of the global leadership team of PwC. He was also chairman of RAC plc and a non-executive director of Safeway plc.

Other appointments:
He is chairman of Savills plc and Templeton Emerging Markets Investment Trust plc, and a member of the supervisory board of Rothschild & Co SCA. He is also chairman of the Land Restoration Trust.

Committee membership:
Chairman of the Audit committee and a member of the Nomination and Remuneration committees.

Governance

CORPORATE GOVERNANCE

Dear fellow shareholders
I am pleased to present the Associated British Foods corporate governance report for the year ended 12 September 2015.

One of the key responsibilities in my role as Chairman is to promote good corporate governance, which is a vital element in ensuring our future as a successful and sustainable company. Good governance requires the right leadership. While the current board is made up of directors from a variety of international backgrounds and sectors, we continue to assess its composition with the aim of maintaining an effective balance and diversity of skills and experience to meet the Company's present needs but with a view to refreshing board membership over the coming years so that it evolves along with the group.

As I have highlighted in my Chairman's statement on page 5, in January 2015, we were delighted to welcome Wolfhart Hauser to the board as an independent non-executive director. Wolfhart brings a strong track record of driving profitable growth and value creation in a large international organisation, as well as having extensive board experience of several major UK listed companies. We report on the formal process by which Wolfhart was appointed in the Nomination committee report on page 68.

In May 2014, the Financial Conduct Authority introduced changes to the listing regime as part of a series of measures to strengthen minority shareholder protection in companies such as ours with a controlling shareholder. During the year under review, in compliance with the provisions, we entered into a relationship agreement with the Company's controlling shareholders. Details about the relationship agreement can be found on page 91 of the Directors' report. Following the introduction of these measures, the board undertook a detailed review of its corporate governance framework and has updated and enhanced, where necessary, its processes and documentation.

I am pleased to report that we made good progress against a number of actions agreed following the 2014 board performance evaluation exercise and which we identified in last year's report. Our 2015 board evaluation was externally facilitated by consultants from Bvalco Limited and this provided both positive and constructive feedback. The board evaluation process and a summary of the key outcomes are described on page 66.

In the following pages, we explain in greater detail our approach to governance – how the board and its committees have fulfilled their governance responsibilities during the year to ensure that robust governance practices are embedded across the group. As always, we welcome questions or comments from shareholders either via our website www.abf.co.uk or in person at the annual general meeting.

Charles Sinclair
Chairman

Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the UK Corporate Governance Code published in September 2012 (the 'Code') which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Code is published by the UK Financial Reporting Council ('FRC') and a copy of the Code is available from the FRC website (www.frc.org.uk).

An updated version of the UK Corporate Governance Code was published in September 2014 and first applies to companies with financial years commencing on or after 1 October 2014 (the '2014 Code'). The Company will therefore report in accordance with the 2014 Code in its 2016 annual report.

The board considers that the Company has, throughout the year ended 12 September 2015, applied the main principles and complied with the provisions set out in the Code, with the exception of the chairmanship of the Remuneration committee (see below).

Code provision	Status	Explanation
D.2.1 – The Chairman should not chair the Remuneration committee	Charles Sinclair is both Chairman of the Company and chairman of the Remuneration committee.	The board of Associated British Foods plc continues to consider that Charles Sinclair, due to his experience, is best suited to chair this committee. No director has any involvement in the determination of his own remuneration. The board believes that the Company has maintained robust governance while at the same time benefiting from having Charles Sinclair as the chairman of the Remuneration committee.

Leadership

The board

The board of directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success.

The board met regularly throughout the year to approve the group's strategic objectives, to lead the group within a framework of effective controls which enable risk to be assessed and managed and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the board's approval. These are set out in a clearly defined schedule, which includes: matters relating to the group's strategic plan; approving the annual business strategy and objectives; the nature and extent of principal risks to be taken to achieve the strategic objectives; changes relating to structure and capital; approval of trading statements, interim results, final results and annual report and accounts; declaring interim dividends and recommending final dividends; the group's policies and systems of internal control and risk management, approving capital projects, acquisitions and disposals valued at over £30m; provision of adequate succession planning, approving major group policies and matters relating to the compliance with the terms of the Relationship Agreement between the Company and its controlling shareholders dated 14 November 2014.

The schedule of matters reserved for the board was reviewed during the year and an updated version of the document was approved and adopted at the September 2015 board meeting. The schedule can be found on the corporate governance section of the Company's website (abf.co.uk).

Certain specific responsibilities are delegated to the board committees, notably the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference and report regularly to the board. For further details, please see 'Board committees' section below.

Authority for the operational management of the group's business has been delegated to the Chief Executive for execution or further delegation by him for the effective day-to-day running and management of the group. The chief executive of each business within the group has authority for that business and reports directly to the Chief Executive.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the board to ensure that no one has unfettered powers of decision. The Chairman, Charles Sinclair, is responsible for the operation and leadership of the board, ensuring its effectiveness and setting its agenda. The Chief Executive, George Weston, is responsible for leading and managing the group's business within a set of authorities delegated by the board and the implementation of board strategy and policy.

Senior Independent Director

Tim Clarke is the Company's recognised Senior Independent Director. The role of the Senior Independent Director is to act as a sounding board for the Chairman and to serve as an intermediary for other directors where necessary. He is also available to shareholders should a need arise to convey concerns to the board which they have been unable to convey through the Chairman or through the executive directors. During the year, led by the Senior Independent Director, the non-executive directors have met without the presence of the Chairman (including to appraise the Chairman's performance).

The non-executive directors

In addition to their responsibilities for strategy and business results, the non-executive directors play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the board's decision-making. They each occupy, or have occupied, senior positions in industry or public life, bringing valuable external perspective to the board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to board decision-making. The formal letters of appointment of non-executive directors are available for inspection at the Company's registered office.

Election and re-election of directors

In accordance with the Code's recommendations, all directors will be proposed for election or re-election at the 2015 annual general meeting to be held in December with the exception of Lord Jay who, as indicated in the Chairman's statement on page 5 will be retiring as a non-executive director with effect from 30 November 2015.

Board meetings

The board held a total of nine meetings during the year, eight scheduled and one additional meeting. Periodically, board meetings take place away from the corporate centre in London. During the year under review, one of the meetings was held in Berlin where the board visited the two Primark stores located there, providing the non-executive directors in particular with the opportunity to meet local management and other employees. The board also held one of its meetings in Hampshire and visited the Jordans & Ryvita premises in Poole for a site tour and business presentation from local management.

Senior executives below board level are invited, when appropriate, to attend board meetings and to make presentations on the results and strategies of their business units. Papers for board and committee meetings are generally provided to directors for board and committee meetings a week in advance.

The attendance of the directors at board and committee meetings during the year to 12 September 2015 is shown in the table below. Where a director is unable to participate in a meeting either in person or remotely, the Chairman solicited their views on key items of business in advance of the relevant meeting, so that these could be shared with the meeting and contribute to the debate.

Board committees

The board has established three principal board committees, to which it has delegated certain of its responsibilities. These are the Audit committee, the Nomination committee, and the Remuneration committee. The membership, responsibilities and activities of these committees are described later in this corporate governance report and, in the case of the Remuneration committee, in the Remuneration report on page 88. Membership of these committees is reviewed annually. Minutes of committee meetings are made available to all directors on a timely basis.

The chairman of the Audit, Nomination and Remuneration committees intend to be present at the annual general meeting to answer questions on the work of their respective committees.

	Board	Audit committee	Nomination committee	Remuneration committee
Charles Sinclair	9/9	–	1/1	4/4
George Weston	9/9	–	–	–
John Bason	9/9	–	–	–
Emma Adamo[1]	8/9	–	–	–
Ruth Cairnie[2]	9/9	5/5	–	3/4
Tim Clarke	9/9	–	1/1	4/4
Javier Ferrán[3]	9/9	4/5	1/1	4/4
Wolfhart Hauser[4]	6/7	3/3	–	3/3
Lord Jay	9/9	5/5	1/1	4/4
Peter Smith	9/9	5/5	1/1	4/4

1 Emma Adamo was unable to attend the additional, unscheduled, board meeting that was held during the year because of prior business and personal commitments. However, she reviewed the relevant information and provided comments as appropriate to the Chairman.

2 Ruth Cairnie was unable to unable to attend one Remuneration committee meeting because of other business and personal commitments. However, she reviewed the relevant papers and provided feedback as appropriate to the Chairman.

3 Javier Ferrán was unable to attend one Audit committee meeting because of other business and personal commitments. However, he reviewed the papers circulated and provided feedback to the Chairman.

4 Wolfhart Hauser was appointed as a director and member of the Remuneration committee on 14 January 2015, and as a member of the Audit Committee from 13 April 2015. He was unable to attend the additional, unscheduled, board meeting that was held during the year. However, he reviewed the relevant information and provided comments as appropriate to the Chairman.

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The written terms of reference for the Nomination, Audit and Remuneration committees, all of which were reviewed and updated during the year, are available on the Company's website (www.abf.co.uk) and hard copies are available on request.

Directors' insurance
The Company has in place appropriate directors' and officers' liability insurance cover in respect of legal action against its executive and non-executive directors, amongst others.

The work of the board during the year
During the financial year, key activities of the board included:

Strategy

- Annual 'away-day' focus on strategy.
- Conducting regular strategy sessions in board meetings.

Acquisitions/disposals

- Approving the increased ownership in Vivergo.
- Receiving regular updates on acquisitions/disposals.

Performance monitoring

- Receiving regular reports to the board from the Chief Executive.
- Receiving, on a rolling basis, senior management presentations from each of the group business areas.
- Approving the group budget for the 2015/16 financial year.
- Receiving regular feedback on directors' meetings held with institutional investors.
- Receiving reports from the board committee chairmen.

Governance and risk

- Approving the Company's full year and interim results.
- Recommending the 2014 final dividend and approving the 2015 interim dividend.
- Annual review of the material financial and non-financial risks facing the group's businesses.
- Receiving regular divisional food safety updates.
- Half yearly review of progress in implementing actions arising from the 2014 board evaluation.
- Participating in the 2015 annual board performance evaluation and receiving a report on that evaluation.
- Reviewing and approving updated schedule of matters reserved for the board, terms of reference for the Audit, Nomination and Remuneration committees and other policies, procedures and guidance relating to the Company's governance framework.
- Receiving regular updates on regulatory matters.

Corporate responsibility

- Approving Corporate Responsibility 2014 updates.
- Receiving regular management reports on health, safety and environment issues.
- Receiving updates on Primark's ethical sourcing.

People

- Appointment of Wolfhart Hauser as an independent non-executive director.
- Receiving update on and considering senior succession planning and people activities.
- Confirming directors' independence.

Various

- Receiving updates on procurement, information technology and communications from the heads of the relevant functions.
- Undertaking appropriate preparations for the holding of the annual general meeting and, subsequently, discussing issues arising from that meeting.

Effectiveness

Board composition
At the date of this report, the board comprises the following directors:

Chairman
Charles Sinclair

Executive directors
George Weston (Chief Executive)
John Bason (Finance Director)

Non-executive directors
Emma Adamo
Ruth Cairnie
Tim Clarke
Javier Ferrán
Lord Jay
Wolfhart Hauser (appointed on 14 January 2015)
Peter Smith

Emma Adamo is not considered to be independent by the board in view of her relationship with Wittington Investments Limited, the Company's majority shareholder. She was appointed in December 2011 to represent this shareholding on the board of the Company. The board considers that the other six non-executive directors are independent in character and judgement and that they are each free from any business or other relationships which would materially interfere with the exercise of their independent judgement.

The Code requires that, if a director has served on the board for more than nine years, the board should state the reasons why it considers the director, notwithstanding his or her length of service, to be independent. Accordingly, the board has considered the independence of Tim Clarke and Javier Ferrán as follows:

- as at 3 November 2015, Tim Clarke has served 11 years as a director of the Company. The board has continued to keep Tim's independence under close review given his length of service. Having given careful consideration to the matter, the board is satisfied that Tim Clarke continues to demonstrate the qualities of independence in carrying out his role as a non-executive director and Senior Independent Director, supporting the team in an objective and independent manner. The board considers that he continues to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Tim retains his role as Senior Independent Director and will offer himself for re-election at this year's annual general meeting. The board will continue to keep his independence under review.
- as at 1 November 2015, Javier Ferrán has served nine years as a director of the Company. Javier's service and consequent knowledge and experience of the group, together with the invaluable retail experience he brings to the role, are highly regarded by the board. In recognition of this length of service, however, he stepped down from the Audit committee on 26 October 2015. Notwithstanding his length of service and, having given due deliberation to the matter, the board is satisfied that Javier Ferrán continues to demonstrate the qualities of independence and

objectivity in carrying out his role as a non-executive director. The board considers that he continues to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Javier will offer himself for re-election at this year's annual general meeting and the board will continue to keep his independence under review.

Following the retirement of Lord Jay as a non-executive director on 30 November 2015, the board will comprise the Chairman, Chief Executive, Finance Director and six non-executive directors.

Biographical and related information about the directors is set out on pages 60 and 61.

Appointments to the board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the board. Details are available in the Nomination committee report set out on page 69 which also provides details of the committee's role and activities.

Commitment

The letters of appointment for the Chairman and the non-executive directors set out the expected time commitment required of them and are available for inspection by any person during normal business hours at the Company's registered office and at the annual general meeting. Other significant commitments of the Chairman and non-executive directors are disclosed on appointment and require approval thereafter.

Board development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new directors and the continuing development of directors.

Board induction

Wolfhart Hauser joined the board as a non-executive director on 14 January 2015 and undertook a formal, tailored programme of induction. This was facilitated by the Chairman and the Company Secretary. The induction programme aimed to familiarise Wolfhart with the way the group operates through its five strategic business segments and with its governance arrangements. The programme took into account his experience and business perspectives, and the committees on which he serves. New directors are encouraged to accelerate their knowledge of the group by visiting a number of its businesses and operations.

Key elements of the induction programme and site visits undertaken by Wolfhart to date following his appointment are set out below:

Board and governance

- Legal and regulatory duties of a UK listed company director.
- Group governance framework including matters reserved to the board for its decision and committee terms of reference.
- Restrictions and procedures for dealing in the Company's shares.
- Procedure for dealing with board conflicts.
- The group's approach to corporate responsibility.

Management meetings and site visits

- Visit to George Weston Foods in Australia including meetings with senior management.
- Attending budget review meetings for Twinings and Grocery.
- Individual meetings with members of the senior management team at the centre including Director of Legal Services & Company Secretary, Group Treasurer, Head of External Affairs, Group Tax Director and International Tax Manager, Director of Financial Control and Director of Business Development.
- Meeting with the UK Grocery CEO.
- Visit to the Peterborough site for meetings with senior management of AB Mauri, AB Agri and the IS Director, including a tour of the ABF IT Shared Service Centre (which delivers IT infrastructure and services to group companies).
- Audit committee briefing with Group Financial Controller.
- Remuneration committee briefing with Group HR Director and Head of Reward.
- Site visit to Allied Bakeries factory in Stockport and meeting with senior management.
- Site visit to the Wissington sugar factory and meetings accompanied by the AB Sugar CEO.
- Visit to Primark offices in Dublin and store visits with Primark senior management.

Following her appointment in May 2014, Ruth Cairnie's induction programme continued during the year under review with a number of further site visits and management meetings, which included:

- visits to various Primark stores accompanied by senior management;
- a half-day London-based 'baking tour' accompanied by senior AB Mauri executives the purpose of which was to illustrate the spectrum of the baking world; and
- individual meetings with the Head of Executive Development, Director of Financial Control, and Director of Legal Services. Ruth also attended sessions of the group's Women's Business Education Forum (a forum for senior women in ABF worldwide to develop, through networking, business education and personal development).

Training and development

The board is kept up-to-date on legal, regulatory and governance matters through regular papers from the Company Secretary and by presentations from internal and external advisors. During the year, the board received guidance on procedures regarding related-party transactions and transactions with controlling shareholders, updates on changes in corporate governance regulation and practice, including the 2014 edition of the Corporate Governance Code, the Competition & Markets Authority Audit Order and EU Audit Regulation, a reminder of their continuing obligations under the Company's share dealing policy as well as regular updates on other developments on matters of corporate governance.

Information flow

The Company Secretary manages the provision of information to the board at appropriate times in consultation with the Chairman and Chief Executive. In addition to formal meetings, the Chairman and Chief Executive maintain regular contact with all directors. The Chairman also holds informal meetings with non-executive directors, without any of the executives being present, to discuss any issues affecting the group, if this is thought necessary. Regular management updates are sent to directors to keep the non-executive directors informed of events throughout the group between board meetings and to ensure that they are kept fully advised of the latest issues affecting the group.

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Board performance evaluation

An evaluation to assess the performance of the board as a whole, its committees and that of the individual directors is conducted annually with the aim of improving the effectiveness of the board and its members and the performance of the group.

In accordance with the Code requirement that the evaluation should be conducted by an external facilitator at least every three years, Bvalco Limited (Bvalco) was engaged to undertake a review of the board. The review took place in the final quarter of the financial year. Bvalco is independent with no other connection with the Company.

Following a scoping exercise with the Chairman and the Senior Independent Director to agree the priority areas and issues to be addressed in the review, Bvalco undertook a confidential interview with each of the directors and a number of senior executives including the Company Secretary. The discussion in each case centred on key themes and, among the topics discussed, were the strengths and values of the board, the quality of succession planning, the interaction of the board members with the group's various businesses, the process of managing strategic planning and the management of risk.

Following the conclusion of the interviews, Bvalco produced a written report, which was discussed with the Chairman, the Chief Executive, and the Senior Independent Director before being sent to board members and was discussed at the following board meeting.

During the year, implementation of a number of recommended action points arising from the 2014 evaluation was overseen by the Chairman and included the actions set out in the table below.

2014 Objectives

Board impact

There was an increased focus by the board on Primark at each board meeting including fuller details of Primark's performance metrics and the progress of Primark's expansion into the US.

Particular board focus was given to the Sugar division in light of the forthcoming EU sugar regime reform.

More structured discussion took place at the board, after each divisional presentation, to discuss the performance of that division and to allow comparison with the performance of other divisions within the group.

Divisional presentations to the board have provided an increased level of information on respective key competitors and market demand.

Regular 'one to one' discussions have taken place between board members, and separately, with the Chairman and the Chief Executive.

Risk management

The handling of risk continued to be a priority for the Audit committee and the board, and each business division has been encouraged to cover risk routinely in their presentations to the board.

Corporate responsibility

Given the growing importance of environmental issues to the group, the annual report to the board on the environment was separated from the report on health and safety.

Based on the outcome of the 2015 review, it was concluded that the board continues to work very effectively as a cohesive body with a good balance of support, challenge and mutual trust between the executives and the non-executives.

It was also the board's view that, overall, the principal committees continued to function efficiently and effectively. Each of the directors was considered to be making a valuable contribution and with proper commitment, including of time, to their respective roles.

A list of action points arising from the 2015 review on how the board can become even more effective was offered by Bvalco and subsequently agreed by the board. These agreed action points in the form of a board development plan are being implemented under the direction of the Chairman and include actions identified in the table below.

2015 Objectives

Role of the board

Following acknowledgement that board strategy sessions had continued to develop very positively, it is proposed that in future there should be a greater emphasis on 'portfolio management' of the group and development of a longer-term financial plan, with a similar approach to be adopted on considerations of group risk.

Engagement with divisional level executive

The regular programme of presentations by divisional heads to be made more dynamic by a number of means, including prior disclosure of the presentation to the board, more time at the board being set aside to be spent discussing issues and strategic choices arising from the presentation.

Succession and resource

Various actions identified, to be actioned through the Nomination committee, to enhance the formal succession planning process in the group.

Board support

Use of electronic board papers to be trialled.

Conflicts of interest procedure

The Company has procedures in place, which were reviewed and updated during the year, to deal with the situation where a director has a conflict of interest. As part of this process, the board:

- considers each conflict situation separately on its particular facts;
- considers the conflict situation in conjunction with the rest of the conflicted directors' duties under the 2006 Act;
- keeps records and board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

Accountability

Financial and business reporting

The board is required by the Code to present a fair, balanced and understandable assessment of the Company's position and prospects. In relation to this requirement, reference is made to the statement of directors' responsibilities for preparing the financial statements set out on page 93 of this annual report and accounts. The board recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators, and information required to be presented by statutory requests.

Business model

A description of the Company's business model for sustainable growth is set out in the group business model and strategy section on pages 8 and 9 and in the business strategies section on pages 10 and 11. These sections provide an explanation of the basis on which the group generates value and preserves it over the long term and its strategy for delivering its objectives.

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. Accordingly, and consistent with the guidance contained in the document titled 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the FRC, they continue to adopt the going concern basis in preparing the annual financial statements.

Internal control and risk management

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 dynamics of the group and the environment within which it operates are continually evolving together with its exposure to risk. The system is designed to manage, rather than eliminate, the risk of assets being unprotected and to guard against their unauthorised use and the failure to achieve business objectives. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

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, which has been in place for the year under review and up to the date of approval of the annual report and accounts. They also confirm that they have regularly reviewed the system of internal controls utilising the review process set out below.

Standards

There are guidelines on the minimum groupwide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The board of each business is required to confirm twice yearly that it has complied with these policies and procedures.

High level controls

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at operational level and centrally, with variances being reported promptly. The cash position at group and operational level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures, and delegated authority levels.

Financial reporting

Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the board. They include a comprehensive set of financial reports and key performance indicators covering commercial, operational, environmental and people issues. Performance against budgets and forecasts is discussed regularly at board meetings and at meetings between operational and group management. The adequacy and suitability of key performance indicators is reviewed regularly. All chief executives and finance directors of the group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Internal audit

The group's businesses employ internal auditors (both employees and resources provided by Ernst & Young where appropriate) with skills and experience relevant to the operation of each business. These arrangements are currently under review in light of the selection of Ernst & Young LLP as the Company's new auditor, following a formal tender process, details of which are set out in the Audit committee report on page 73. All of the internal audit activities are co-ordinated centrally by the group's Director of Financial Control, who is accountable to the Audit committee.

All group businesses are required to comply with the group's financial control framework that sets out minimum control standards. A key function of the group's internal audit resources is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate. Internal audit also conducts regular reviews to ensure that risk management procedures and controls are observed. The Audit committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The committee reviews annually the adequacy, qualifications and experience of the group's internal audit resources and the nature and scope of internal audit activity in the overall context

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of the group's risk management system. The Director of Financial Control meets with the chairman of the Audit committee as appropriate but at least annually, without the presence of executive management, and has direct access to the Chairman of the board.

Remuneration

A separate Remuneration report is set out on pages 74 to 89 and provides details of our remuneration policy and how it has been implemented, together with the activities of the Remuneration committee.

Articles of association and share capital

Information in relation to share capital, the appointment and powers of directors, and the issue and buy back of shares and significant interests in share capital is set out in the Directors' report on pages 90 to 92.

Relations with shareholders

Engaging with shareholders

The board works to engage effectively with the Company's shareholders so that both its objectives and those of shareholders are understood.

The Company announces its achievements and prospects to shareholders by way of the interim results and annual report and accounts. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements and by press release and postings on the Company's website.

The board continues to promote effective engagement with its shareholders. The Chairman invites larger institutional shareholders each year to discuss their views on the group's approach on governance, strategy and remuneration. The Chief Executive and Finance Director have met institutional shareholders and financial analysts on a regular basis throughout the year to discuss the Company's business strategy and current performance. At each board meeting, the directors are briefed on shareholder meetings that have taken place and on the feedback received.

The Senior Independent Director is available to shareholders in the event that communication with the Chairman, Chief Executive or Finance Director has failed to resolve concerns or where such contact is inappropriate. The Senior Independent Director attended sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns.

The Company Secretary acts as a focal point for communications on matters of corporate governance and corporate responsibility.

Annual general meeting (AGM)

The AGM will be held on Friday, 4 December 2015 at 11.00 am at the Congress Centre in London. The board views the AGM as a valuable opportunity to communicate with private shareholders in particular, for whom it provides the opportunity to hear about the general development of the business and to ask questions of the Chairman and, through him, the chairmen of the key committees and other directors.

The practice has been for a short film to be shown at the meeting explaining a particular area of the group's business. At this year's AGM, the film will focus on Primark and the lengths to which the business goes in preparing to enter new markets. For its arrival in the north-east of the USA, this approach has been raised to another level with local research, high attention to detail and tailored execution.

The Notice of AGM, which sets out in full the resolutions for consideration by shareholders together with explanatory notes, has been sent to shareholders and is also available on the Investors section of the Company's website (www.abf.co.uk).

NOMINATION COMMITTEE REPORT

Members

During the year and at the date of this report:

Charles Sinclair (Chairman)
Ruth Cairnie (appointed 1 November 2015)
Tim Clarke
Javier Ferrán
Lord Jay
Peter Smith

Key duties

In accordance with its terms of reference, the Nomination committee's key duties include:

- leading the process for board appointments and making recommendations to the board;
- regularly reviewing the board structure, size and composition (including the skills, knowledge, independence, experience and diversity), recommending any necessary changes;
- considering plans for orderly succession for appointments to the board and to senior management to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshment of the board;
- keeping under review the leadership needs of the group, both executive and non-executive, to ensure the continued ability of the group organisation to compete efficiently in the marketplace;
- making recommendations to the board about suitable candidates for the role of senior independent director, and membership of the audit and remuneration committees in consultation with the chairman of the relevant committee;
- making recommendations to the board about the re-election of directors by shareholders in accordance with the Company's articles of association and the Code; and
- ensuring that the Company offers an appropriate dialogue with shareholders about succession planning, the appointment of directors and the work of the Committee.

Governance

Members of the Nomination committee are appointed by the board from amongst the directors of the Company, in consultation with the Chairman. The committee comprises a minimum of three members at any time, a majority of whom are independent non-executive directors. A quorum consists of two members being either two independent non-executive directors or one independent non-executive director and the Chairman.

Only members of the committee have the right to attend committee meetings. Other individuals such as the Chief Executive, members of senior management, head of human resources and external advisors may be invited to attend meetings as and when appropriate.

The Chairman does not chair the Nomination committee when it is dealing with the appointment of his successor. In these circumstances the committee is chaired by an independent non-executive director elected by the remaining members.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee chairman reports the outcome of meetings to the board.

The terms of reference of the Nomination committee, which were reviewed and updated during the year, are available on the Investors' section of the Company's website (www.abf.co.uk).

Board appointments process

The process for making new appointments is led by the Chairman. Where appropriate, external, independent consultants are engaged to conduct a search for potential candidates, who are considered on the basis of their skills, experience and fit with the existing members of the board. The Nomination committee has procedures for appointing a non-executive or an executive director and these are set out in its terms of reference.

Meetings

The committee met once during the year under review.

Committee activities during the year

Appointment of new independent non-executive director

The Nomination committee and the board adhere to the principle that appointments to the board should be made on the basis of merit.

During the year, the Chairman led the process for the appointment of a new independent non-executive director as part of an ongoing programme for the progressive refreshing of the board.

The services of external executive search consulting firm, Spencer Stuart, were retained to help identify potential candidates. Spencer Stuart is independent, with no other connection to the Company, and is a signatory to the 'Voluntary Code of Conduct for Executive Search Firms' on gender diversity and best practice.

Potential candidates were considered on the basis of their skills and experience in the context of the range of skills and experience of the existing board as a whole.

Following a rigorous process of interviews and assessments and, on the recommendation of the Nomination committee, the board approved the appointment of Wolfhart Hauser with effect from 14 January 2015.

Diversity policy at board level

As a board, we recognise that diversity is key for introducing different perspectives into board debate and decision-making. A genuinely diverse board comprises individuals with a range of personal attributes, perspectives, skills, experience and backgrounds, as well as representing differences in nationality, race and gender.

It is the board's policy to make new appointments based on merit, recognising that gender remains an important aspect of the overall diversity which is crucial to creating an optimal board in terms of balance and composition. Candidates for future board appointments will be considered from the widest possible pool, although any executive search agencies engaged will be asked to ensure that half of the candidates they put forward for consideration are women.

Re-election of non-executive directors

The committee reviewed the results of the annual board performance evaluation that related to the composition of the board and whether the time needed to fulfil the roles of Chairman, Senior Independent Director and non-executive director was appropriate. It was satisfied that all members of the board are devoting sufficient time to their duties.

The committee considered the re-election of directors prior to their recommended approval by shareholders at the AGM. The non-executive directors who have been on the board for more than six years were subject to particularly rigorous review.

Performance review

The performance of the committee was evaluated as part of the annual board performance evaluation and it was found to be operating effectively.

AUDIT COMMITTEE REPORT

Members

During the year and at the date of this report:

Peter Smith (Chairman)
Lord Jay
Javier Ferrán (until 26 October 2015)
Ruth Cairnie
Wolfhart Hauser (from 13 April 2015)

Key duties

In accordance with its terms of reference, the Audit committee's key duties include:

- monitoring the integrity of the group's financial statements and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgements contained in them before their submission to the board for approval;
- on matters of financial reporting: reviewing and challenging where necessary, the consistency of, and any changes to, accounting and treasury policies; whether the group has followed appropriate accounting policies and made appropriate estimates and judgements; the clarity and completeness of disclosure; significant adjustments resulting from the audit; the going concern assumption and compliance with auditing standards;
- at the request of the board, reviewing the content of the annual report and accounts and advising the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- where requested by the board, assisting in relation to the board's assessment of the principal risks facing the Company and the prospects of the Company for the purposes of disclosures required in the annual report and accounts;
- reviewing the effectiveness of the group's internal financial controls, including the policies and overall process for assessing established systems of internal financial control and timeliness and effectiveness of corrective action taken by management;
- overseeing the group's policies, procedures and controls for preventing bribery, identifying money laundering, and the group's arrangements for whistleblowing;
- monitoring and reviewing the role and effectiveness of the group's internal audit function in the context of the group's overall financial risk management system; and

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Key duties continued

- overseeing the relationship with the group's external auditors, reporting to the board each year whether it considers the audit contract should be put out to tender taking into account any legal requirements for tendering or rotation of the audit contract, reviewing and monitoring their objectivity and independence including seeking information from the external auditor on an annual basis about its policies and procedures for maintaining independence, agreeing the scope of their work and fees paid to them for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services.

Governance

The Audit committee comprises a minimum of three members, all of whom are independent non-executive directors of the Company. Two members constitute a quorum. Appointments are for a period of three years after which they are subject to annual review, extendable by two further three-year periods so long as members continue to be independent. Any term beyond six years is subject to particularly rigorous review. The membership of the Audit committee has been refreshed over the last few months: Wolfhart Hauser was appointed as a member of the committee on 13 April 2015, Javier Ferrán stepped down as a member on 26 October 2015. Lord Jay will cease to be a member of the committee on his retirement as a non-executive director on 30 November 2015.

The committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent and relevant financial experience. Currently, the committee chairman fulfils this requirement. All committee members are expected to be financially literate and to have an understanding of the following areas:

- the principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Company's operations including corporate policies and the group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the group's businesses.

The committee invites the Group Finance Director, Group Financial Controller, Director of Financial Control and senior representatives of the external auditors to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the committee to discharge its duties.

During the year, the committee held four meetings with the external auditors without any executive members of the board being present.

The committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditors.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee chairman reports the outcome of meetings to the board.

The committee's effectiveness is reviewed on an annual basis as part of the board's performance evaluation process.

The terms of reference of the Audit committee were reviewed and updated during the year and can be viewed on the Investors section of the Company's website (www.abf.co.uk).

Meetings

The Audit committee met five times during the year including an additional meeting related to the tendering of the external audit. The committee agenda are linked to events in the group's financial calendar.

Activities during the year

In order to fulfil its terms of reference, the Audit committee receives and reviews presentations and reports from the group's senior management, consulting as necessary with the external auditors.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Audit committee.

During the year it formally reviewed the group's interim and annual reports, including the associated pre-close period trading updates, and the trading updates issued for the first and third quarters. These reviews considered:

- the accounting principles, policies and practices adopted in the group's financial statements, any proposed changes to them, and the adequacy of their disclosure in the annual report;
- important accounting issues, areas of complexity and the actions, estimates and judgements of management in relation to financial reporting;
- any significant adjustments to financial reporting arising from the audit;
- litigation and contingent liabilities affecting the group; and
- potential tax contingencies, compliance with statutory tax obligations and the group's tax policy.

Significant accounting issues considered by the Audit committee in relation to the group's financial statements

In the preparation of these financial statements a number of areas required the exercise of management judgement or a degree of estimation. Set out opposite are the areas considered by the Audit committee to be the most significant accounting issues and how the committee concluded that such judgements and estimates were appropriate. These are divided into those that could have a material impact on the financial statements and those that are less likely to have a material impact but nevertheless, by their nature, required a degree of estimation.

Significant accounting issues material to the group financial statements	Audit committee assurance
Impairment of goodwill, intangible and tangible assets 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 committee considered the reasonableness of cash flow projections which were based on the most recent budget approved by the board and reflected management's expectations of sales growth, operating costs and margins based on past experience and external sources of information. Long-term growth rates for periods not covered by the annual budget were challenged to ensure they were appropriate for the products, industries and countries in which the relevant cash generating units operate. The committee also reviewed and challenged the key assumptions made in deriving these projections: discount rates, growth rates, and expected changes in production and sales volumes, selling prices and direct costs. The committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Refer to notes 8 and 9 to the financial statements for more details of these assumptions. The committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable. The external auditor explained the results of their own review of the estimate of value in use, including their challenge of management's underlying cash flow projections as well as the long-term growth assumptions and discount rates. On the basis of their audit work, and their challenge of the key assumptions and associated sensitivites, they concurred with management's conclusion that no impairments were required.
Tax provisions The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world and the ability of the group to use tax losses within the time limits imposed by the various tax authorities. See also references to taxation on page 46.	The committee annually reviews the Company's principles for managing tax risks. The committee reviewed and challenged the provisions recorded at the balance sheet date and management confirmed that they represent their best estimate of the likely financial exposure faced by the group. The external auditor explained to the committee the work they had conducted during the year, including how their audit procedures were focused on those provisions requiring the highest degree of judgement. The committee discussed with both management and the external auditor the key judgements which had been made. It was satisfied that the judgements were reasonable and that, accordingly, the provision amounts recorded were appropriate.

Other accounting areas requiring management judgement or estimation	Audit committee assurance
Biological assets The valuation of growing sugar cane requires management to estimate: • the sucrose content in the cane and the expected cane and sucrose yields for the following season taking into account weather conditions, harvesting programmes, and an assessment of the maturity of the cane at the balance sheet date; and • the sucrose price, which depends on the markets to which the forthcoming crop is likely to be sold, the probable domestic and export prices, and related foreign currency exchange rates.	The sugar business has a good track record of calculating reliable estimates and any significant over or under-estimation becomes apparent in subsequent profit realisation. Actual results were reviewed for consistency of measurement in the light of profit budgets and forecasts and the actual results of prior periods. The committee was satisfied that appropriate assumptions had been made and consistently applied. As biological assets represent just 1% of total assets and 2% of net assets, material misstatement of the financial statements was considered unlikely. The committee also reviewed the adequacy of disclosures in respect of the sensitivities to unobservable inputs on the fair valuation of biological assets (note 10).
Post-retirement benefits Valuation of the group's pension schemes and post-retirement medical benefit schemes require various subjective judgements to be made including mortality assumptions, discount rates and general inflation, salary inflation, and the rate of increase for pensions in payment and those in deferment.	Actuarial valuations of the group's pension schemes are undertaken every three years by independent qualified actuaries who also provide advice to management on the assumptions to be used in preparing the accounting valuations each year. Details of the assumptions made in the current and previous two years are disclosed in note 12 of the financial statements together with the bases on which those assumptions have been made. The committee reviewed the assumptions by comparison with externally derived data and also considered the adequacy of disclosures in respect of the sensitivity of the surplus or deficit to changes in these key assumptions.

Governance

CORPORATE GOVERNANCE

Misstatements
Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the committee the misstatements that they had found in the course of their work. After due consideration the committee concurred with management that no adjustments were required.

Internal financial control and risk management
The committee is required to assist the board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the group's compliance with the UK Corporate Governance Code. To fulfil these duties, the committee reviewed:

- the external auditors' management letters and their Audit committee memoranda;
- internal audit reports on key audit areas and significant deficiencies in the financial control environment;
- reports on the systems of internal financial controls and risk management;
- reports on fraud perpetrated against the group; and
- the group's approach to IT, cyber security and whistleblowing.

Internal audit
The Audit committee is required to assist the board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of internal audit. To fulfil these duties, the committee reviewed:

- internal audit's reporting lines and access to the committee and all members of the board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution;
- statistics on staff numbers, qualifications and experience and timeliness of reporting;
- the nature and extent of non-audit activity performed by internal audit; and
- changes since the last annual assessment of the significant financial risks and the group's ability to respond to changes in its business and the external environment.

Whistleblowing and fraud
The group's 'whistleblowing' policy contains arrangements for an independent external service provider to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit committee as appropriate. The Audit committee reviewed reports from internal audit and the external service provider and the actions arising therefrom.

The group's anti-fraud policy has been communicated to all employees and states that all employees have a responsibility for fraud prevention and detection. Any suspicion of fraud should be reported immediately and will be investigated vigorously. The Audit committee reviewed all instances of fraud perpetrated against the Company and the action taken by management both to pursue the perpetrators and to prevent recurrences.

External audit
Auditor independence
The Audit committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditors for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditors whilst also ensuring that the auditors maintain the necessary degree of independence and objectivity. Consequently, any non-audit work to be undertaken by the auditor in excess of £300,000 requires authorisation by the chairman of the Audit committee and the Group Finance Director prior to its commencement. Individual assignments less than £300,000 are approved by the Group Finance Director. The aggregate expenditure with the group auditors is reviewed by the Audit committee.

The committee is required to approve the use of the external auditors to provide: accounting advice and training; employee benefit plan audits; corporate responsibility, IT and other assurance services; due diligence in respect of acquisitions and disposals; certain specified tax services including tax compliance, tax planning and related implementation advice; and certain other services when it is in the best interests of the Company to do so and they can be undertaken without jeopardising auditor independence. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year. The extent to which non-audit services may be provided by the group auditor will be kept under review in light of new restrictions to be introduced by EU legislation which comes into effect in 2016.

The Company has a policy that any recruits hired directly from the external auditors must be pre-approved by the Group HR Director, and the Group Finance Director or Group Financial Controller, with the chairman of the Audit committee being consulted as appropriate.

The Audit committee has formally reviewed the independence of its auditors. KPMG LLP has provided a letter confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with their professional standards.

To fulfil its responsibility to ensure the independence of the external auditors, the Audit committee reviewed:

- changes in external audit executives in the audit plan for the current year;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditors.

The total fees paid to KPMG LLP for the year ended 12 September 2015 were £8.0m of which £2.3m related to non-audit work. Further details are provided in note 2 to the financial statements.

Consideration is also given by the Audit committee to the need to include the risk of the withdrawal of the external auditors from the market in its risk evaluation and planning.

Auditor effectiveness

To assess the effectiveness of the external auditors, the committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses evaluating the performance of each assigned audit team; and
- a report from the Audit Quality Review Team of the Financial Reporting Council.

The Audit committee holds private meetings with the external auditors after each committee meeting to review key issues within their sphere of interest and responsibility.

To fulfil its responsibility for oversight of the external audit process, the Audit committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter;
- the overall work plan and fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

Auditor appointment

The Audit committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit committee. There are no contractual obligations that restrict the company's current choice of external auditor.

As indicated last year, in light of the requirements of the UK Corporate Governance Code and other recent changes to the EU regulatory framework, the committee undertook a competitive tender for the external audit, KPMG having been the group's auditor since 1935. KPMG did not participate in the tender process. This process involved: presentations to the Audit committee by the three tendering firms, addressing the key business risks and their proposed audit approach; individual meetings of the tendering firms with all of the divisional and functional management teams, executive management and members of the Audit committee; the presentation of written tender documents; and a final presentation to a selection committee chaired by the chairman of the Audit committee and comprising executive and non-executive directors and the Group Financial Controller. The result of this comprehensive tender process was that, on the recommendation of the committee, the board selected Ernst & Young LLP as auditor for the year ending 17 September 2016. Accordingly, shareholder approval will be sought to confirm the appointment of Ernst & Young LLP as auditor of the Company at the AGM on 4 December 2015.

REMUNERATION REPORT

Annual statement by the Remuneration Committee Chairman

Dear fellow shareholders

2014/15 performance and incentive outcomes
As you know, our range of activities is broad and our portfolio of businesses diverse. We aim to achieve strong and sustainable positions and have a focus on the longer-term growth of the Company. As referred to in my Chairman's statement, the two major challenges facing the group have been food commodity deflation and substantial movements in currency markets. Against this background, earnings per share has seen a slight decrease.

This year no changes have been made to our remuneration policy, which is re-presented on the following pages for reference but is not subject to a shareholder vote. The committee has dedicated time in two meetings in 2014/15 to considering whether incentive outcomes are a fair reflection of performance. The conclusions that we reached are outlined below.

Short Term Incentive Plan (STIP)
Operating results this year were significantly affected by lower sugar prices and the negative translation impact of currency movements, both factors being outside the control of management. However, having regard to the fact that previous performance has benefited from higher sugar prices, and that the STIP has always been measured against profits translated into sterling at actual average foreign exchange rates for the year rather than at constant currency, the committee concluded that the incentive payout of 49.44% on the financial element of the STIP was a fair reflection of the performance outcome. The original STIP targets were increased for the additional profit made by businesses acquired during the year, in line with our normal policy for acquisitions.

As previously disclosed, in November 2012, the committee reduced vesting on the 2009–12 Long Term Incentive Plan from 100% to 97.42% to reflect an asset impairment charge relating to the Australian meat business, Don KRC. Continuing property development deals relating to the Don KRC site, which are not included in the annual operating profit calculation, mean that the committee now feels it is appropriate to return to the executive directors the balance of the value which was reduced in 2012. A partial repayment was made in 2014 and the remaining balance due of £23,963 for George Weston and £16,073 for John Bason will be paid this year. No further payments will be made in respect of this previous reduction in vesting as the aggregate outcome is now as it would have been had no impairment charge been taken.

For 2015/16 there has been no change in the setting of our STIP financial targets which are based on a performance range around budget for both the profit measure and the working capital measure. The reasons for adoption of these financial metrics are detailed in the policy report on page 88.

Long Term Incentive Plan (LTIP)
In the Chairman's statement I have noted a strong performance despite currency and commodity challenges, and that we expect currency pressures to lead to a modest decline in adjusted operating profit and adjusted earnings for the group for the coming year. In view of this and having regard to the adjusted earnings per share (adjusted eps) performance in 2014/15, the level of growth required to achieve the performance targets on existing awards vesting in 2016 and 2017 is now extremely challenging. The committee made no discretionary changes to the targets already set. However, recognising that the shape of the group has changed greatly in recent years, and in view of the fact that the LTIP is designed to motivate and retain some 150 senior managers across the group, the committee has decided that it would be appropriate to undertake a complete review of the group's incentive arrangements over the course of the next year.

If this review concludes that changes are required, the committee will present a revised executive remuneration policy to investors at the 2016 AGM, one year earlier than originally anticipated. If approved by shareholders, any changes to policy will become effective in the 2016/17 financial year.

As part of this review, we will be seeking input from our major shareholders in May/June 2016.

In setting the targets for the 2015/18 LTIP, the committee has taken into account the outlook for a modest decline in adjusted eps in the 2016 financial year and the consequential implications of this for 2017. Accordingly, the committee has decided that the LTIP targets will assume no growth for the first year of the 2015/18 LTIP. Thereafter, the compound annual growth rates of 5% to achieve threshold, 8% to achieve target and 11% to achieve maximum will be applied. We believe that this approach is appropriate and in the best interests of our shareholders.

Charles Sinclair
Remuneration Committee Chairman

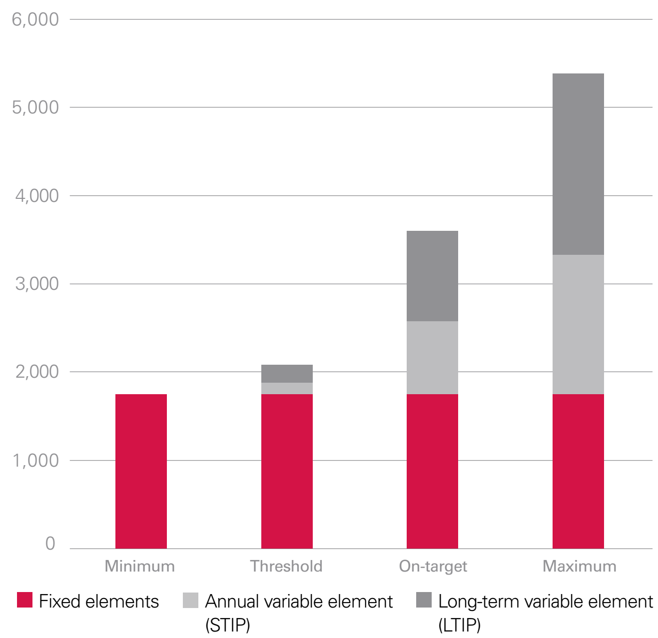
Remuneration policy

The remuneration policy for executive directors has applied since it was approved by shareholders at the 2014 AGM. The wording in the policy, provided for reference below, is unchanged from that approved in 2014 except as necessary to update references and increase clarity for the reader, for example, by changing dates and including current salary numbers in scenario charts. For unvested share awards only, the provisions of the remuneration policy presented in the 2013 Remuneration report will continue to apply until such time as all long-term incentive awards granted under that policy have vested.

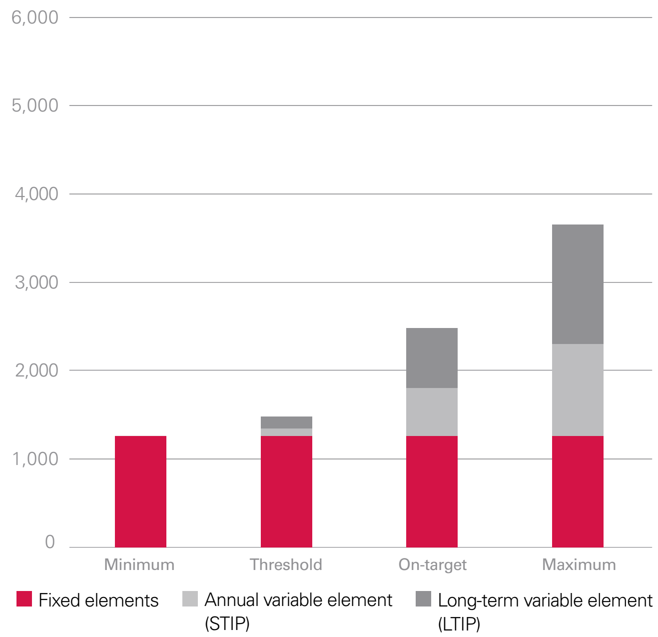
The committee reviews the approved remuneration policy annually to ensure that it remains aligned with the Company's strategic objectives. This year, the committee has determined that no changes should be made. As outlined on the previous page, the committee expects to present a revised remuneration policy to investors for approval at the 2016 AGM and will discuss its proposals with major shareholders before finalising the proposed policy.

Executive directors' reward potential – illustration of remuneration policy 2015/16

George Weston (£000)



John Bason (£000)



Notes:

1 Fixed elements for George Weston comprise salary of £1,023,708, benefits of £15,000 and pension of £711,100 and applies to minimum, threshold, on-target and maximum performance.

2 Fixed elements for John Bason comprise salary of £666,533, benefits of £19,000 and pension of £575,780 and applies to minimum, threshold, on-target and maximum performance.

3 Annual variable element – bonus is calculated on base salary at the end of the financial year.

4 Long-term variable element – value is calculated on base salary at the date of allocation and excludes share price movement.

5 Minimum – No STIP or LTIP payment for failure to achieve threshold performance.

6 Threshold – STIP of 12% of base salary (12% of base salary for threshold financial performance and 0% for failure to achieve threshold personal performance). LTIP vesting at 10% of maximum (i.e. an allocation of shares worth 20% of base salary at the grant date) following achievement of threshold performance targets.

7 On-target – STIP of 78.3% of base salary (65% for target financial performance and 13.3% for target personal performance). LTIP vesting at 50% of maximum (i.e. an allocation of shares worth 100% of base salary at the grant date) for target performance.

8 Maximum – STIP of 150% of base salary (130% for maximum financial performance and 20% for achieving maximum personal performance). LTIP vesting at 100% of maximum (i.e. an allocation of shares worth 200% of base salary at the grant date).

REMUNERATION REPORT

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Element and purpose	Operation and link to business strategy	Maximum opportunity
BASE SALARY (100% CASH) To provide core reward for the role, recognising responsibility for setting and delivering the strategy.	Base salaries are normally reviewed on an annual basis or following a significant change in responsibilities. Factors taken into account include market pay movements, the level of increases awarded to UK employees across the group and the impact of any increase on the total remuneration package.	Increases will usually be limited to those available for other UK employees. In line with other employees, if there is a significant change in role responsibility, increases will reflect this.
BENEFITS (EXCLUDING RELOCATION) To provide a competitive and cost-effective benefits package appropriate to the role.	Benefits are restricted to typical UK market levels for executive directors and include, but are not limited to, death in service payment, permanent health insurance, company car plus private fuel, family healthcare and, where relevant, fees to maintain professional memberships. Executives are provided with the technology they require to carry out their roles efficiently and effectively.	The cost of these benefits is not expected to exceed 10% of salary but is dependent on factors, such as insurance premium rates, that can vary.
SHORT-TERM INCENTIVE PLAN (STIP) (100% CASH) To encourage and reward the attainment of challenging financial targets and the achievement of personal performance objectives over a one-year period.	**Performance measures** Group financial performance is assessed against prime financial measures, such as adjusted operating profit and working capital, used across the group on a day-to-day basis to drive and monitor performance. The personal element of the STIP is calculated as a percentage of base salary on achieving certain personal targets set by the Company Chairman for the Chief Executive and by the Chief Executive for the Finance Director. **Target setting** Budget performance is set as the 'on-target' performance level at the start of each financial year. The committee sets a range around target to incentivise delivery of truly stretching performance. Individual personal objectives are also set each year. These may be specific short-term goals or milestones towards medium or long-term objectives, but are closely aligned to the overall strategy of the group. Following the end of the financial year, the Chairman reviews the performance of the Chief Executive against these objectives and makes a recommendation to the Remuneration committee about the appropriate level of payout for the personal element. Similarly, the Chief Executive makes a recommendation to the Remuneration committee regarding the Finance Director following an assessment of his performance. **Discretion, clawback and malus** In specific circumstances the Remuneration committee retains discretion, including in relation to malus and clawback, as set out in the notes that follow this table.	150% of base salary: • 130% based on financial results; and • 20% on personal performance.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element and purpose	Operation and link to business strategy	Maximum opportunity
LONG-TERM INCENTIVE PLAN (LTIP) To reward long-term business growth, promote executive retention and align the interests of executives and shareholders.	Executive directors are eligible to participate in the Associated British Foods Long-Term Incentive Plan (the LTIP). Annual allocations of conditional shares vest over a three-year period, subject to agreed performance targets being satisfied. Allocations are granted over shares to the value of 200% of base salary at allocation. For maximum performance 100% of the shares vest; for target performance 50% vest; for threshold performance 10% vest; and below threshold level awards lapse. A mandatory two-year holding period applies for any shares allocated under the LTIP from the 2014 AGM onwards. **Performance measures** Group performance is measured against an absolute range of compound annual growth in adjusted earnings per share (eps). This measure was chosen because it: • reflects the group's objective of sustained long-term earnings growth; • is a measure which is well understood both by participants and shareholders; • is a published figure with limited adjustments; and • encompasses the diverse nature of the group. An absolute, rather than a relative measure is used, as the group is a global business for which UK inflation factors are of limited impact. Other financial measures have been considered, but found to be unhelpful or inappropriate. **Target setting** Targets are set by the committee at the beginning of each three-year performance period, taking into account the state of the markets in which the group operates as well as the scale of investments made in the pursuit of long-term growth. In determining a fair but stretching target, the committee also considers: • the results of the long-term incentive plan to date; • market expectations and internal forecasts for the next few years; and • advice from its appointed remuneration advisors. **Discretion, clawback and malus** When the Company introduced the new LTIP, approved by shareholders in 2013, malus and clawback were introduced into the plan rules. In specific circumstances the Remuneration committee retains discretion in relation to the plan. Further information can be found in the notes to this table. **Previous plan** Conditional shares already allocated for 2012–15 and 2013–16 will vest, or not, under the terms of the Executive Share Incentive Plan 2003. These allocations were subject to earnings per share performance targets and, in contrast to the new plan, do not have clawback in place.	200% of base salary at allocation on achievement of maximum vesting.

REMUNERATION REPORT

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element and purpose	Operation and link to business strategy	Maximum opportunity
SHAREHOLDING REQUIREMENT To demonstrate commitment to, and align personal interests with, the success of the Company and its shareholders.	Executive directors are required to build and maintain a shareholding in the Company to a value at least equal to their pre-tax base salary. In order to achieve this target, executives are required to retain at least 50% of the post-tax value of any shares vesting each year and then to manage their shareholding in such a way as to continue to meet the requirement.	Shareholding of 100% of salary.
PENSION To provide a competitive retirement benefit in line with best practice standards adopted by major companies in the United Kingdom and continental Europe.	**Defined benefit pension arrangements – closed to new members** The current executive directors are members of the Company's HMRC approved defined benefit pension scheme, which closed to new entrants in October 2002. Both executive directors opted out of the scheme on 5 April 2006, but retain their accrued benefits up to that date. The scheme is designed to provide retirement benefits of around two-thirds of final pensionable salary at age 65 (62 for John Bason). The current executive directors have, since 5 April 2006, earned benefits in an Employer-Financed Retirement Benefit Scheme (EFRBS). The EFRBS is unregistered, but is designed to broadly mirror the provisions of the defined benefit pension scheme by providing retirement benefits of around two-thirds of final pensionable salary at normal retirement age. **Defined contribution pension arrangements** Future executive directors, who are not already entitled to defined benefit pension arrangements at the time of appointment, would benefit from an HMRC approved defined contribution arrangement, with a Company contribution (or cash equivalent) of 25% of base salary. **Cash alternative** Where a UK-based pension arrangement is not possible, or is not tax efficient, a cash supplement equivalent to the normal pension contribution may be paid in lieu of pension contributions.	For directors entitled to benefits under the Company's defined benefit pension scheme and/or EFRBS, a retirement benefit target of around two-thirds of final pensionable salary is payable at normal retirement age. For directors entitled to defined contribution pension arrangements, executives may receive Company contributions (or cash equivalent) up to a maximum of 25% of base salary.

Notes to the Remuneration policy table

Target-setting and commercial sensitivity

The committee selected the performance conditions shown in the preceding table because these are the key measures used by the executive directors to manage the business. The performance targets are set by the committee annually taking into account the views of their advisors and management.

The committee is of the opinion that performance targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Achievement against financial targets will be disclosed after the end of the relevant financial year in that year's Remuneration report.

Discretion, malus and clawback

The committee may, at any time within two years of the vesting date of an LTIP award (under the new plan) or payment of an STIP award, determine that clawback shall apply if the committee determines that performance outcomes were misstated; an erroneous calculation was made in assessing the extent to which performance targets were met; or the participant is found to have committed, at any time prior to vesting/payment, including prior to grant, an act or omission which justifies, or, in the opinion of the Remuneration committee, would have justified, summary dismissal.

As a condition of participating in the STIP and LTIP from the 2014/15 financial year onwards, all participants have been required to agree that the committee may cause any STIP or LTIP award in which they participate to lapse (in whole or in part) and may operate clawback under any share scheme or bonus scheme in which they participate operated by a group company and may operate clawback by reducing any amounts payable to the participant and/or by requiring the participant to immediately transfer shares or cash back to the Company.

The committee will apply discretion, where necessary and by exception, to ensure that there are no unintended consequences from the operation of the remuneration policy. The committee has a robust set of principles that it applies to ensure that the outcome is consistent with business performance and aligned with shareholder interests. Any material exercises of discretion by the committee in relation to the STIP and LTIP will be in line with scheme rules or other applicable contractual documentation and will be fully disclosed and explained in the relevant year's report on the implementation of remuneration policy and will not exceed scheme maxima.

Remuneration for other employees compared with that of executive directors

First line reports to the Chief Executive and other senior executives are rewarded broadly within the same overall remuneration policy as executive directors, in order to ensure fairness and common purpose across the group. In general, other executives therefore participate in incentive arrangements similar to those of the executive directors, but with lower levels of potential payout. The proportion of variable pay to base salary for first line executives is around 1.2 to 1 for 'on-target' performance and 2.25 to 1 for maximum performance. The Remuneration committee regularly reviews the reward package for other groups of senior executives below board level to ensure that they remain at a level sufficient to attract and retain high-calibre individuals.

Associated British Foods is geographically dispersed and therefore subject to very different pay markets, so it is difficult to make sensible comparisons with all employees across the group. The salaries of executive directors are reviewed in line with UK employees of the group. In December 2014, when the salary increase for employees in the UK was between 1.75% and 3.0%, including a 3% increase in the minimum wage, the Chief Executive received a salary increase of 2.6%.

In order to drive and reward performance, and to align better the interests of executives and shareholders, the executive directors have a greater proportion of their total reward package at risk than other employees. This means that in years of very good performance, the Chief Executive's package increases proportionately more than that of most other employees and conversely in years of lower performance it may decrease. However, the structure and principles of incentives are consistent further down the organisation including:

- the belief that employees should be encouraged to do the right thing for the long-term benefit and success of the organisation;
- the belief that individuals should have line of sight to their performance targets; and
- the belief in combining profit and return measures with personal measures in the STIP.

The committee operates share-based long-term incentives for approximately 150 senior individuals across the group.

Executive directors serving as non-executive directors

To encourage self-development and allow external insight and practice, the committee has determined that, with the consent of the Chairman and the Chief Executive, executive directors may serve as non-executive directors of other companies in an individual capacity and will retain any fees earned.

REMUNERATION REPORT

Remuneration policy – consideration of employment conditions elsewhere in the Company

How pay and conditions of employees were taken into account when setting directors' remuneration policy

The committee considered the salary increases proposed for the employee population generally and other changes to the remuneration policy within the Company when reviewing executive salaries at its September and October meetings. As outlined in the policy table, the committee typically limits the range of increases for executive directors to the range of increases available to employees unless there has been a change of role.

The design of incentives is broadly consistent across the group. The committee is provided with data on the remuneration structure for senior management in the two tiers below executive director and uses this information to work with the Company to ensure consistency of approach. In addition, the committee approves all share-based LTIP awards across the group.

Consideration of employees' views

In setting the remuneration policy, the committee seeks to act in the best interests of the Company. Whilst the views of employees are not explicitly sought, employees are able to feed back their opinions through employee opinion surveys or directly to the Company's management.

Remuneration policy – executive director contracts, recruitment, retention and loss of office

Recruitment arrangements – all executive directors

As we may need to recruit future executive directors from outside the UK or from companies with more aggressive incentive policies than our own, and as our long-term incentive plans do not give us significant headroom to make awards to new joiners above the levels set out in the policy table, the arrangements below are intended to give us the flexibility to recruit the right individuals should we need to.

Core package – in line with remuneration policy table on pages 76 to 78

Salary – Based on a combination of market information, internal relativities and individual experience.

Benefits – In line with remuneration policy.

Pension – Defined contribution pension or cash alternative to pension in line with policy.

STIP – Pro rata in year of recruitment. Part of STIP may be guaranteed to reduce the need for additional cash payments to hire new joiners.

LTIP – Prorated grant for the year of recruitment. A mandatory two-year holding period will apply for any shares vesting under the LTIP for all newly appointed executive directors.

Buy-out arrangements – in addition to remuneration policy table on pages 76 to 78

The committee may, when it considers this to be in the best interest of the Company, make a one-off award of additional cash and/or shares to replace incentives foregone from a previous company. The committee would seek validation of the value of incentives foregone, including the nature, time horizon and performance requirements attaching to that remuneration. Additional awards will not exceed the committee's advisors' calculation of the value of the original awards. If possible, additional incentive awards will be tied to group performance targets.

Other elements – in addition to remuneration policy table on pages 76 to 78

The committee may, when it considers this to be in the best interest of the Company, make a one-off additional award of cash and/or shares as an incentive to join. This may, for example, be necessary if recruiting an individual from overseas. If possible, additional incentive awards will be tied to group performance targets.

Total maximum additional incentive value will not exceed 200% of salary.

Internal appointments

For internal appointments, awards in respect of the prior role may be allowed to vest according to the terms of the scheme, adjusted as relevant to take account of the new appointment. In addition, ongoing prior remuneration obligations may continue.

Relocation

If a new executive director needs to relocate, the Company may pay:

- actual relocation costs and other reasonable expenses relating to moving house;
- disturbance allowance of up to 5% of salary, some of which may be tax-free for qualifying expenditure;
- school fees for dependent children where there are cultural or language considerations;
- medical costs for the overseas family, where relevant;
- one business class return fare per annum each for the executive, his/her partner and dependent children in order to maintain family or other links where an executive is recruited from outside the UK;
- reasonable fees and taxes for buying and/or selling a family home and/or appropriate rental costs; and
- any tax due, grossed up, on any relocation related payments listed above.

Service contracts and payments for loss of office

It is the Company's policy that executive directors have rolling contracts with 12-month notice periods. This is in accordance with the UK Corporate Governance Code and contracts are available for inspection at the Company's offices. Contracts and service agreements are not reissued when base salaries or fees are changed. Pension arrangements for both the current executive directors have been amended, as described in the policy table, without reissuing their contracts.

The executive directors' service contracts allow for the Company to terminate the employment by paying the director in lieu of some or all of his notice period. The Company may determine that a payment in lieu of notice is made in monthly instalments or as a lump sum. A payment in lieu of notice will comprise the salary, benefits and pension provision that the director would otherwise have received during the relevant period. The Company is committed to the principle of mitigation. If the committee determines that a payment in lieu of notice will be paid in monthly payments, it would reduce the instalments to take account of amounts received from alternative employment.

In addition, the executive director may be entitled to a payment in respect of his statutory rights. The committee may also determine that a contribution will be made to the director's legal fees in connection with his termination and may agree to make reasonable payments to him in respect of outplacement. In limited circumstances, in addition to making a full payment in lieu of notice, the Company may permit an executive director to stay employed after the announcement of his departure for a limited period to ensure an effective hand-over and/or to allow time for a successor to be appointed. It would be open to the Company to consider terminating an executive director's service agreement in breach (i.e. not to make a payment to him in lieu of notice) and instead to make a payment of damages to him which compensates him for the loss he will suffer as a result of the termination of his contract, taking into account his duty to mitigate his loss.

There is no automatic entitlement to accrued STIP/LTIP awards on termination; the approach to determining whether or not a payment might be made is set out in the table below. Prorated STIP and LTIP awards will not usually take account of notice periods, but the committee retains the discretion to determine that they will. The committee would not expect to do so in the case of poor performance.

Reason for termination	Salary and contractual benefits	STIP	LTIP	Repatriation
Good leaver including: • ill health/injury/disability • redundancy • retirement • employing company or undertaking being transferred outside the group • other reason determined by the committee • death	Paid up to date of termination or death. The committee has discretion to pay in lieu of notice as set out above.	The committee will consider making a pro rata payment for the financial year in which the termination/death took place. Any agreed payment will be made in the December following the year end. In the case of death, payment may be accelerated.	The committee will consider allowing awards due to vest in relation to the financial year of termination to vest. Other awards lapse unless the committee uses its discretion to allow them to vest. The committee has never previously done this. Vesting will take place on the usual vesting date, subject to performance conditions unless the committee determines that the award should vest earlier pro rata, in which case the committee may determine whether the executive's notice period will be taken into account in any prorating.	If an executive was recruited from overseas and relocated to the UK at the start of his/her employment, his/her repatriation may be paid.
Resignation	Paid up to termination date.	If an executive director ceases to be employed before/is under notice when full year results are published, no award will be made unless the committee determines otherwise. The committee has never previously determined otherwise.	All conditional share awards will be cancelled unless the committee determines otherwise. The committee has never previously determined otherwise.	Not paid.
Gross misconduct	Paid up to termination date.	No award will be made.	All conditional share awards will be cancelled.	Not paid.

REMUNERATION REPORT

Remuneration policy for non-executive directors

Summary of remuneration policy for non-executive directors

Non-executive directors' fees are reviewed periodically in the light of fees payable in comparable companies and the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Fees are paid on a per annum basis and are not varied for the number of days worked. Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees.

The Remuneration committee (under the chairmanship of the Senior Independent Director) reviews the Chairman's fees. In addition to his fee, the Chairman also receives private medical insurance for himself and his spouse.

Element	Purpose	Operation
Chairman		
Fees	To attract and retain a high-calibre chairman by providing a competitive core reward for the role.	The Chairman is paid a single fee for all his responsibilities. The level of this fee is reviewed every other year by the committee (in the absence of the Chairman) and the executive directors in the light of fees payable in comparable companies. Fees are paid in cash on a monthly basis.
Benefits	To provide market-competitive benefits.	Private medical insurance (for Chairman and spouse).
Other non-executive directors		
Fees	To attract and retain high-calibre non-executive directors by offering market-competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The Chairman and executive directors review non-executive directors' fees every other year in the light of fees payable in comparable companies. The Senior Independent Director and chairman of the Audit committee are paid an additional fee to reflect their extra responsibilities. Fees, paid in cash on a quarterly basis, were last reviewed on 3 September 2014.

Non-executive directors' terms of appointment

It is the Company's policy that all non-executive directors are subject to specified terms of appointment. Appointment is for an initial term of three years unless terminated by either party on six months' notice. Continuation of the contract of appointment is contingent on satisfactory performance and re-election at forthcoming annual general meetings. Non-executive directors are typically expected to serve two three-year terms, although the board may invite a non-executive director to serve for an additional period.

The Company's Articles of Association require that all directors retire from office if they have not retired at either of the preceding two annual general meetings. In any event, at this year's annual general meeting, all directors are standing for election or re-election in compliance with the UK Corporate Governance Code, except for Lord Jay who will retire on 30 November 2015.

Where an individual retires at the annual general meeting and does not stand for re-election, they are not paid in lieu of notice.

Approach to recruitment for non-executive directors

The approach to fees outlined above would apply to new non-executive directors.

We would not pay to relocate a non-executive director to the head office location but would reimburse reasonable expenses incurred in travelling on behalf of the business. In the first year, such expenses may be higher than usual as part of the individual's induction into the business.

Remuneration policy – statement of consideration of shareholders views

Each year the chairman of the committee invites our larger institutional shareholders to discuss with him their views on the group's remuneration, strategy and governance.

Ahead of the 2014 AGM, we received feedback from some investors who did not feel that our earnings per share targets were sufficiently stretching. The committee robustly reviews targets each year, with detailed input from our advisors and from the Company. We have satisfied ourselves, in the context of the challenges facing the sugar business, that the targets that we set for the LTIP in 2013 and 2014 were extremely challenging and that delivering this level of performance would represent a very good performance by the executive directors on behalf of shareholders. The Chairman's statement on page 74 sets out more information on our approach to setting LTIP targets for 2015-18.

In light of the changing scale and shape of the business, we are planning to review remuneration policy in 2015/16 and seek shareholder approval for this at the 2016 AGM. The committee chairman remains happy to discuss any remuneration matters at any time to help shape our policy and practice.

Annual report on directors' remuneration

The annual report on directors' remuneration sets out the elements of remuneration paid to directors in respect of the financial year 2014/15. The notes to the single figure table provide further detail, including measures and outcomes for 2014/15, where relevant, for each of the elements that make up the total single figure of remuneration in respect of each of the executive directors.

This report is subject to an advisory vote at the 2015 AGM.

Single total figure of remuneration – executive directors (audited information)

	Salary or fees		Taxable benefits		Pensions[5]		Annual bonus[6]		Long-term incentive[7,8]		Single total figure[9]	
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive directors												
George Weston	**998**	973	**15[2]**	15	**592**	478	**686**	894	**766**	5,110	**3,057**	7,470
John Bason	**649**	633	**19[3]**	18	**486**	395	**456**	582	**504**	3,362	**2,114**	4,990
Non-executive directors												
Charles Sinclair	**380[1]**	349	**1[4]**	1							**381**	350
Tim Clarke	**90[1]**	82	**–**	–							**90**	82
Lord Jay	**71[1]**	65	**–**	–							**71**	65
Javier Ferrán	**71[1]**	65	**–**	–							**71**	65
Peter Smith	**90[1]**	82	**–**	–							**90**	82
Emma Adamo	**71[1]**	65	**–**	–							**71**	65
Ruth Cairnie[10]	**71[1]**	24	**–**	–							**71**	24
Wolfhart Hauser[11]	**48**	–	**–**	–							**48**	–

1 The value shown reflects the split across the year from the previous fee rate to the revised rates of £72,500 for non-executive directors, £92,500 for the Senior Independent Director and Chairman of the Audit committee and £390,000 for the Chairman.
2 The value of George Weston's benefits comprised £13,704 taken in cash and £1,676 taxed as benefits-in-kind.
3 The value of John Bason's benefits comprised £13,704 taken in cash and £5,242 taxed as benefits-in-kind.
4 The value of Charles Sinclair's benefits are taxed as a benefit-in-kind.
5 Pensions remuneration for 2014 has been amended to be presented consistently with the current year's remuneration.
6 The annual bonus is paid in December in respect of the preceding financial year. None of the incentive is subject to deferral.
7 As required by UK regulations, vesting under the long-term incentive plan for 2011–2014 has been recalculated to update last year's estimates using the actual share price of 3067.1p that applied on vesting. Information relating to performance targets, weightings and outcomes can be found on page 74 of the 2014 annual report.
8 Vesting under the long-term incentive plan for 2012–2015 has been estimated using the average mid-market closing price over the last quarter of the 2014/15 financial year (12 June to 12 September 2015) of 3116p. Vesting will be on 23 November 2015 and a figure recalculated for the actual share price on that date will be presented in the 2016 Remuneration report. Information relating to performance targets, weightings and outcomes can be found on pages 84 and 85.
9 The single total figure for 2014 has been updated to reflect the LTIP adjustment noted in 7 above.
10 Ruth Cairnie joined the board on 1 May 2014.
11 Wolfhart Hauser joined the board on 14 January 2015.

Additional notes to the single total figure of remuneration – executive directors (audited information)

This section sets out supporting information for the single total figure columns. In particular, it provides information on the extent to which performance conditions have been satisfied for the STIP and LTIP.

Single total figure – base salary

Executive directors' salaries were reviewed on 1 December 2014 in accordance with normal policy and were increased in line with average increases for the company's UK-based employees.

	Dec 2013	Increase in Dec 2014	Dec 2014
George Weston	£1,002,000	2.6%	£1,028,000
John Bason	£660,000	2.6%	£677,000

Single total figure – benefits

The taxable values of a fully expensed company car, private medical insurance, life assurance and an annual medical check-up are included in the table of directors' remuneration.

Pensions

Both directors opted out of the Associated British Foods Pension Scheme, a defined benefit scheme, on 5 April 2006, and since then have earned benefits in an Employer-Financed Retirement Benefit Scheme (EFRBS).

George Weston

The director has an overall benefit promise of a minimum of ²⁄₃rds of final pay or ¹⁄₄₅th of final pensionable earnings for each year of pensionable service. The director opted out of the Associated British Foods Pension Scheme on 5 April 2006, and has a deferred benefit in the Scheme; the balance of the promise is provided under an EFRBS. The director's benefits are payable from age 65. There is no additional benefit entitlement for the members if they take early retirement. The pension accrued by the director at 12 September 2015 was £512,670.

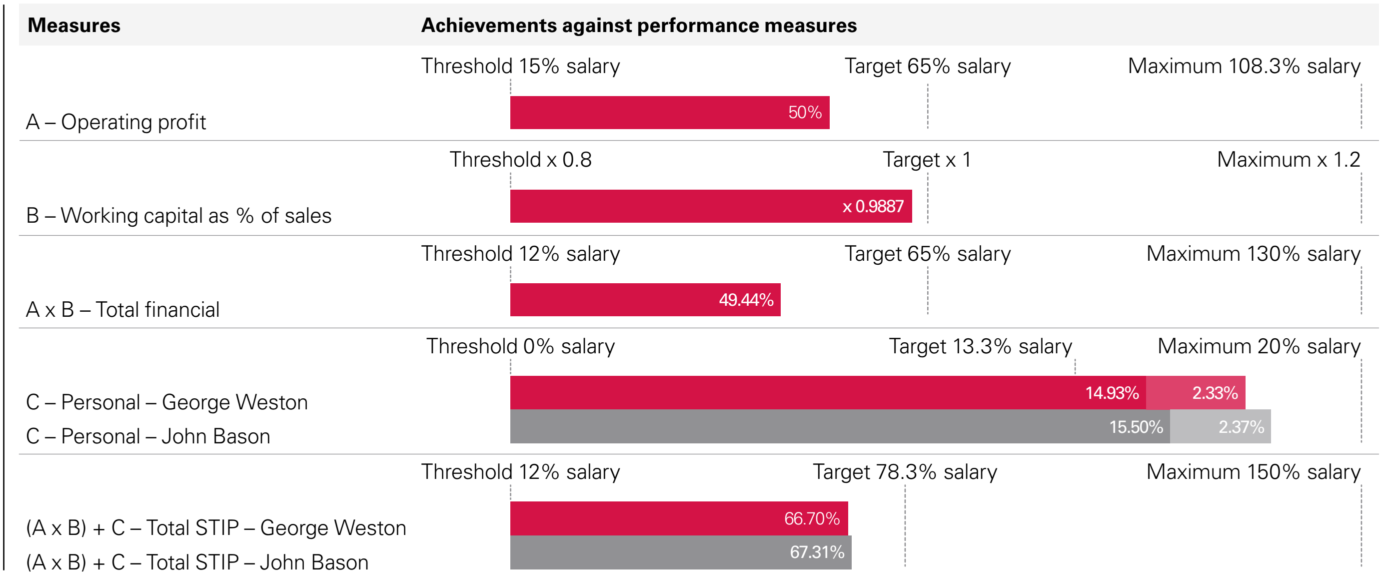
John Bason

The director has an overall benefit promise of a minimum of ²⁄₃rds of final pay or ¹⁄₄₅th of final pensionable earnings for each year of pensionable service, less an allowance for the director's retained benefits from previous employment. The director opted out of the Associated British Foods Pension Scheme on 5 April 2006, and has a deferred benefit in the Scheme; the balance of the promise is provided under an EFRBS. The director's benefits are payable from age 62. There is no additional benefit entitlement for the members if they take early retirement. The pension accrued by the director at 12 September 2015 was £311,787.

REMUNERATION REPORT

Short-Term Incentive Plan – 2014/15

The table below shows outcomes against the specific measures in the year. None of the incentive is subject to deferral.



The committee considered whether it would be in the best interests of the Company and its shareholders to disclose the precise targets agreed for each of the performance measures for 2014/15. The conclusion was that retrospective detail on financial targets set will not be disclosed at this stage as it is, in the opinion of the committee, commercially sensitive.

During 2016, we will consider, as part of the wider review of our approach on incentives, what further transparency we can provide to shareholders without disadvantaging the business.

Following a review of personal performance against specific objectives for the 2014/15 financial year, the committee determined that George Weston will receive 14.93% of salary in relation to performance that was slightly ahead of target against set objectives, with performance improvements in our ingredients businesses and in Australia, ongoing continuous improvement in the sugar business, a strengthened balance sheet and continuing successful growth of Primark. John Bason will receive 15.50% of base salary for the individual element of the annual bonus, reflecting overall performance that is ahead of target with most objectives having been attained, the review of auditors having been well managed and a good focus on investor relations during the year. Personal objectives set for each of the executive directors were closely aligned to the overall strategy of the group but will not be disclosed because of commercial sensitivity.

In addition to the above percentages, the committee has determined to increase the personal element of the incentive payment by a further £23,963 for George Weston and £16,073 for John Bason in relation to a previous discretionary reduction in vesting of the 2009–12 LTIP to reflect an asset impairment charge in our Australian meat business. In 2014, the committee returned to the executive directors some, but not all, of the previously reduced value to recognise the value delivered from property development deals relating to the site. These deals have continued to recapture the impaired value for the business and its shareholders this year. No further payment will be made in respect of this previous reduction in vesting as the aggregate outcome is now as it would have been had no impairment charge been taken.

	Value reduced in 2012 (share price of 1442.65p)	Amount returned to executives in 2014	Balance to be returned in 2015
George Weston	£48,011	£24,048	£23,963
John Bason	£32,243	£16,170	£16,073

Long-Term Incentive Plan – 2012–2015

The performance measures for each three-year LTIP cycle are set by the committee. Awards are made annually, at the discretion of the committee, and eligible executives receive shares at the end of the performance period, subject to achievement of the performance measures. For the 2012–2015 cycle the threshold level of compound adjusted eps growth was 5% per annum with on target at 8% and maximum at 11%. The adjusted eps range, adjusted for the impact of IAS 19, was 100.1p at threshold, 109.0p at target and 118.5p at maximum. Actual eps was 102.0p. In November 2015 executive directors will therefore receive 18.54% of the conditional shares allocated in 2012 – George Weston will receive 24,575 shares and John Bason 16,168 shares. No further deferral will be applied to these shares, as they were granted before December 2014.

Grant policy for share plans

Conditional share awards are granted each year at the end of November, following announcement of the Company's results. In addition, further awards are made, following approval by the committee, between the end of November and 1 June each year to new starters or newly promoted individuals who are eligible to participate. The share price used to determine the number of shares in an allocation is the average of the closing share prices on the five trading days immediately preceding the award date.

All awards are settled using shares bought in the market.

Scheme interests awarded in 2014/15 (audited information)

The table below details the conditional share interests awarded to the executive directors during the year. The awards made were in line with our normal policy and are subject to performance conditions over the vesting period.

			Maximum award			Shares vesting			
Executive director	Award date	Vesting date	% salary	Face value £000	Market price at grant	Maximum	Target (50% of maximum)	Threshold (10% of maximum)	Below threshold (0% of maximum)
George Weston	24/11/14	24/11/17	200%	2,004	3101.2p	64,620	32,310	6,462	0
John Bason	24/11/14	24/11/17	200%	1,320	3101.2p	42,564	21,282	4,256	0

The committee determined that performance for this award should be measured against an absolute range of 5% to 11% compound annual growth in adjusted earnings per share. The committee believes that the range is extremely stretching over the three-year performance period given sugar profitability and foreign exchange rates. In setting this target, the committee took into account:

- the volatility present in many of the markets in which the group operates;
- the scale of investments made in the pursuit of long-term growth;
- the results of the long-term incentive to date;
- market expectations;
- internal forecasts for the next few years; and
- advice from their appointed remuneration advisors.

As outlined in the remuneration policy, there will be a further two-year holding period in place for these shares after vesting.

Executive directors' shareholding requirements and share interests (audited information)

The executive directors are required to build up a beneficially owned shareholding of 100% of salary. This requirement has been met. No share option awards from earlier years are outstanding. The interests below remained the same at 3 November 2015.

Executive directors	Holding requirement	**Beneficial 12 September 2015**	**Beneficial as % of salary[1]**	**Conditional[2] 12 September 2015**	**Total 12 September 2015**	Total 13 September 2014
George Weston[3]						
Wittington Investments Limited, ordinary shares of 50p	n/a	**2,613**	**n/a**	**n/a**	**2,613**	2,446
Associated British Foods plc, ordinary shares of 5 15/22p	100% of salary	**3,548,947**	**10,654%**	**281,353**	**3,830,300**	3,844,221
John Bason						
Associated British Foods plc, ordinary shares of 5 15/22p	100% of salary	**124,049**	**565%**	**185,171**	**309,220**	364,945

1 Calculated using share price as at 12 September 2015 of 3086p and base salary as at 12 September 2015.
2 These awards, detailed in the preceding and following tables are conditional allocations under the long-term incentive plans described in the policy section.
3 George Weston is a director of Wittington Investments Limited which, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 12 September 2015.

In addition to the interests awarded in the year, the executive directors have the following conditional interests in ABF shares.

	Scheme name	Dates of award and vesting	Market price at award	Maximum (shares)	Face value £000	End of performance period
George Weston	Share incentive plan	23/11/12 – 23/11/15	1433.4p	132,552	1,900	12.09.15
	Share incentive plan	25/11/13 – 25/11/16	2321.2p	84,181	1,954	17.09.16
John Bason	Share incentive plan	23/11/12 – 23/11/15	1433.4p	87,205	1,250	12.09.15
	Share incentive plan	25/11/13 – 25/11/16	2321.2p	55,402	1,286	17.09.16

REMUNERATION REPORT

Non-executive directors' shareholding requirements and share interests (audited information)

There is no shareholding requirement for non-executive directors. The following shareholdings are ordinary shares of Associated British Foods plc unless stated otherwise.

	Beneficial 12 September 2015	Beneficial 13 September 2014	**Total 12 September 2015**	Total 13 September 2014
Charles Sinclair	**12,760**	12,760	**12,760**	12,760
Tim Clarke	**4,000**	4,000	**4,000**	4,000
Lord Jay	**1,000**	1,000	**1,000**	1,000
Javier Ferrán	**2,400**	2,400	**2,400**	2,400
Peter Smith	**2,000**	2,000	**2,000**	2,000
Emma Adamo[1]				
Wittington Investments Limited, ordinary shares of 50p	**1,322**	1,322	**1,322**	1,322
Associated British Foods plc, ordinary shares of 5 15/22p	**504,465**	504,465	**504,465**	504,465
Ruth Cairnie	**1,500**	–	**1,500**	–
Wolfhart Hauser[2]	**1,283**	n/a	**1,283**	n/a

1 Emma Adamo is a director of Wittington Investments Limited which, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares in Associated British Foods plc as at 12 September 2015.
2 Wolfhart Hauser was appointed a director on 14 January 2015.

Payments to past directors (audited information)

No payments were made to past directors in 2014/15.

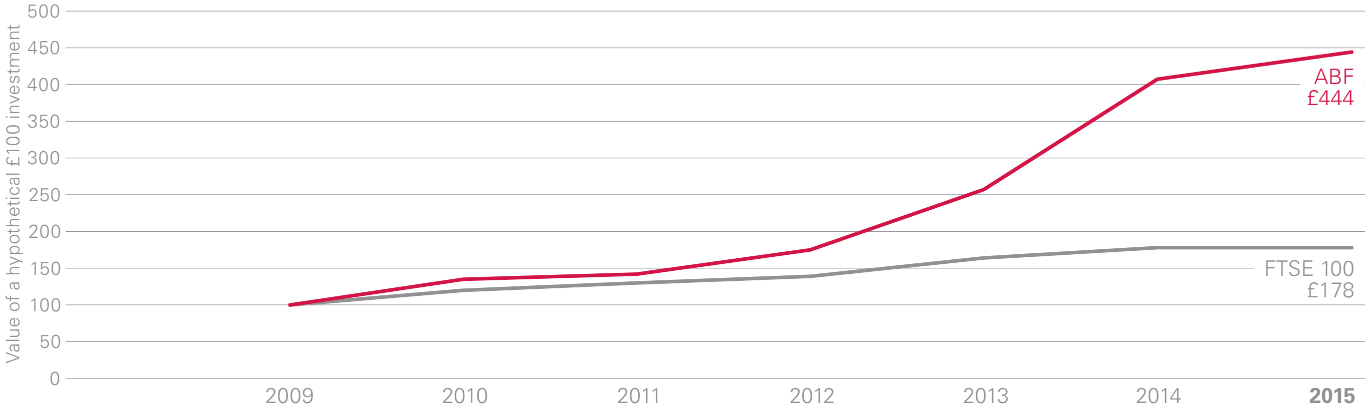
Payments for loss of office (audited information)

No payments were made for loss of office in 2014/15.

TSR performance and Chief Executive's pay

The performance graph below illustrates the performance of the Company over the past six years from September 2009 to September 2015, in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below the graph provides a six-year summary of the total remuneration of the Chief Executive over the same period showing a breakdown of each of the elements of variable pay within the total remuneration figure. For the purpose of calculating the value of the remuneration of the Chief Executive, data has been collated on a basis consistent with the 'single figure' methodology as defined in the applicable UK directors' reporting regulations.



Source: DataStream Return Index

	2010	2011	2012	2013	2014	2015
Single total figure remuneration variable element (£000)	3,886	3,182	3,859	5,832	7,470	3,057
Annual variable element (£000)	1,266	438	864	1,219	894	686
Potential maximum annual variable element (£000)	1,310	1,373	1,425	1,466	1,503	1,542
Annual variable element (% of maximum)	96.68%	31.91%	60.63%	83.15%	59.49%	44.46%
Long-term variable element – shares vesting as % of maximum	99.12%	83.80%	97.42%	85.00%	100.00%	18.54%

At close of business on 11 September 2015, the last trading day before the end of the financial year, the market value of the Company's ordinary shares was 3086p. During the previous 12 months, the market value ranged from 2466p to 3284p.

Percentage change in remuneration of the Chief Executive
Between 2014 and 2015, the increase in the Chief Executive's salary was 2.6% and the average increase in salaries for our UK employees was between 1.75–3%. The total reward for the Chief Executive reduced by 59%, reflecting 18.54% vesting on the LTIP, reduced from 100% vesting in the previous year as well as a reduced STIP payment. The overall increase in expenditure on reward for all of our employees was 3%. These numbers are based on aggregate data presented on page 111 as it is very difficult, in a decentralised group of the Company's size, to separate the increase in expenditure on incentives and benefits.

Executive directors serving as non-executive director
During the year, George Weston served as a non-executive director of Wittington Investments Limited, for which he received no compensation.

John Bason is a non-executive director and chairman of the audit committee of Compass Group PLC, for which he received a fee of £105,875 in the 2014/15 financial year. He also served as a trustee of Voluntary Service Overseas and as chairman of the charity FareShare, but received no compensation in respect of either of these roles.

Relative importance of spend on pay
A year-on-year comparison of the relative importance of pay and significant income distributions to shareholders and others is shown below.

Expenditure	**2015 £m**	2014 £m	Change
Pay spend for the group	**2,058**	2,006	3%
Dividends relating to the period	**277**	269	3%
Income taxes paid	**230**	246	-7%

Implementation of policy 2015/16
We do not intend to make any changes in the implementation of our policy in 2015/16 other than the change in approach to target setting for the LTIP award as detailed on page 88.

Base salary
Executive directors' salaries are subject to review on 1 December 2015 and will be increased as shown in the table below.

	Dec 2014	Increase in Dec 2015	Increase in Dec 2015	**Dec 2015**
George Weston	£1,028,000	2.24%	£23,000	**£1,051,000**
John Bason	£677,000	2.25%	£15,200	**£692,200**

Benefits and pension
No change to current operation.

Short-Term Incentive Plan – 2015/16
The STIP will be operated in 2015/16 in line with the remuneration policy and with previous Company practice on implementation.

	Payout based on operating profit only	Modification to payout based on average working capital	Overall financial payout		Personal element		Total bonus
Maximum	108.3%	x1.2	130%	+	20.0%	=	150.0%
On-target (budget)	65.0%	x1.0	65%		13.3%		78.3%
Threshold	15.0%	x0.8	12%		0.0%		12.0%
Below threshold	0.0%	x0.8	0.0%		0.0%		0.0%

As detailed in our remuneration policy, we believe that the detailed targets used for our STIP are commercially sensitive. We believe that our targets are set at a stretching level and will disclose achievement against financial targets retrospectively in our 2016 Remuneration report as we have done in this report for 2014/15.

REMUNERATION REPORT

Long-Term Incentive Plan – 2015–18
The LTIP will be operated in line with the remuneration policy and with the continuing Company grant policy (see page 77).

Each year the committee reflects carefully on a number of Company and external data points and on feedback from our shareholders in setting the eps targets for the LTIP.

For 2015–18 we have taken into account the very significant impact of sugar pricing and foreign exchange movements on the expected profitability of a number of our divisions in 2015/16. This means that in the first year of the LTIP we anticipate a reduction in adjusted eps compared with 2014/15, as reflected in the outlook paragraph of the Chairman's statement on page 5.

In setting the targets for the 2015–18 LTIP, the committee has taken into account the outlook for a modest decline in adjusted eps in the 2016 financial year and the consequential implications of this for 2017. Accordingly, the committee has decided that the LTIP targets will assume no growth for the first year of the 2015/18 LTIP. Thereafter, the compound annual growth rates of 5% to achieve threshold, 8% to achieve target and 11% to achieve maximum will be applied. We believe that this approach is appropriate and in the best interests of our shareholders.

Service contracts

	Date of appointment	Date of current contract/ letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive directors					
George Weston	19.04.99	01.06.05	12 months	12 months	Rolling contract
John Bason	04.05.99	16.03.99	12 months	12 months	Rolling contract
Non-executive directors					
Charles Sinclair	01.10.08	21.04.09	6 months	6 months	Rolling contract
Tim Clarke	03.11.04	03.11.04	6 months	6 months	Rolling contract
Lord Jay	01.11.06	01.11.06	6 months	6 months	Rolling contract
Javier Ferrán	01.11.06	01.11.06	6 months	6 months	Rolling contract
Peter Smith	28.02.07	28.02.07	6 months	6 months	Rolling contract
Emma Adamo	09.12.11	09.12.11	6 months	6 months	Rolling contract
Ruth Cairnie	01.05.14	01.05.14	6 months	6 months	Rolling contract
Wolfhart Hauser	14.01.15	14.01.15	6 months	6 months	Rolling contract

Non-executive directors' fees for 2015/16

	Dec 2014	Increase in Dec 2015	**Dec 2015**
Chairman	£390,000	£0	**£390,000**
Senior Independent Director	£92,500	£0	**£92,500**
Chairman of Audit committee	£92,500	£0	**£92,500**
Director	£72,500	£0	**£72,500**

The non-executive directors' fees were last revised in December 2014 and will next be reviewed in December 2016.

Annual report on remuneration – governance

Remuneration committee
The committee comprises the Chairman, who was independent on appointment, and the following members, all of whom are independent non-executive directors:

Name	Role on committee	Independence	Year of appointment	Meetings attended (total of 4)
Charles Sinclair	Chairman	Chairman	2008	4
Tim Clarke	Member	Senior Independent Director	2004	4
Lord Jay	Member	Independent Director	2006	4
Peter Smith	Member	Independent Director	2007	4
Javier Ferrán	Member	Independent Director	2006	4
Ruth Cairnie	Member	Independent Director	2014	3
Wolfhart Hauser[1]	Member	Independent Director	2015	3

1 Wolfhart Hauser attended all meetings from his date of appointment.

All committee members, George Weston (Chief Executive), Des Pullen (Group HR Director) and Julie Withnall (Group Head of Reward) attended all of the meetings of the committee except as detailed above. No individual was present when their own remuneration was being considered.

Remuneration committee advisors and fees
Following a competitive tender in 2003, Towers Watson (then Towers Perrin) was selected to provide independent market information and remuneration advice to the Remuneration committee. The committee has retained Towers Watson in this role because it values the robust data provided and continuity of advice over the long term. The committee remains satisfied that the advice from Towers Watson is independent, thoughtful and challenging.

Towers Watson is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting. The only other advice that Towers Watson provides to the Company is in survey provision and remuneration benchmarking. The fees paid to Towers Watson for committee assistance over the past financial year totalled £72,593.

Role of the committee
The Remuneration committee is responsible to the board for determining:

- the remuneration policy for the executive directors and Chairman taking into account remuneration trends across the Company;
- the specific terms and conditions of employment of each individual director;
- the overall policy for remuneration for the Chief Executive's first and second line reports;
- the design and monitoring of the operation of any Company share plans;
- stretching incentive targets to encourage enhanced performance;
- an approach that rewards fairly and responsibly contribution to the Company's long-term success; and
- other provisions of the executive directors' service agreements and ensuring that contractual terms on termination, and payments made, are fair to the individual and the Company and that failure is not rewarded and loss is mitigated.

The committee's remit is set out in detail in its terms of reference, which are reviewed regularly and were updated in September 2015. They are available on the website at www.abf.co.uk/investorrelations under corporate governance/board committees, or from the Company Secretary's office on request.

Remuneration principles
The overall remuneration policy of the Company aims to:

- provide alignment between remuneration and the Company's business objectives;
- align executive rewards with shareholder value;
- attract and retain high-calibre executive directors;
- motivate executive directors to achieve challenging performance levels and reward them for so doing;
- recognise both individual and group achievement; and
- reflect the diversity of the group's interests.

Statement on shareholder voting
At the last AGM in December 2014 the voting results on resolution two, to receive and approve the Remuneration report for the year ended 13 September 2014, were as follows:

(i) the total number of votes cast in relation to the resolution was 659,736,109: 619,982,274 'for' and 39,753,835 'against'
(ii) the percentage 'for' was 93.97% and the percentage 'against' was 6.03%
(iii) the number of abstentions was 1,672,922

The voting results on resolution three, to approve the directors' remuneration policy, were as follows:

(i) the total number of votes cast in relation to the resolution was 660,191,206: 598,077,621 'for' and 62,113,585 'against'
(ii) the percentage 'for' was 90.59% and the percentage 'against' was 9.41%
(iii) the number of abstentions was 1,216,643

Compliance statement
The remuneration policy was subject to a binding vote at the 2014 annual general meeting of the Company. It is our intention that the policy will be reviewed during 2015/16 and we will seek shareholder approval before making any changes to the policy at the AGM in 2016.

The report on directors' remuneration section contained within this report will be subject to an advisory vote at the forthcoming annual general meeting of the Company. The vote will have advisory status in respect of overall remuneration packages and will not be specific to individual levels of remuneration.

KPMG LLP has audited the report to the extent required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

By order of the board

Paul Lister
Company Secretary

3 November 2015

DIRECTORS' REPORT

Introduction

The directors of Associated British Foods plc (the 'Company') present their report for the 52 weeks ended 12 September 2015, in accordance with section 415 of the Companies Act 2006. The UKLA's Disclosure and Transparency Rules and Listing Rules also require the Company to make certain disclosures, some of which have been included in other appropriate sections of the annual report and accounts.

The information set out on page 93, and the following cross-referenced material, is incorporated into this Directors' report:

- likely future developments in the group's business (pages 12 to 45);
- greenhouse gas emissions (page 50); and
- the board of directors and the Corporate governance report (pages 60 to 73).

Results and dividends

The consolidated income statement is on page 96. Profit for the financial year attributable to equity shareholders amounted to £532m.

The directors recommend a final dividend of 25.0p per ordinary share to be paid, subject to shareholder approval, on 8 January 2016. Together with the interim dividend of 10.0p per share paid on 3 July 2015, this amounts to 35.0p for the year. Dividends are detailed on page 112.

Directors

The names of the persons who were directors of the Company during the financial year and as at 3 November 2015 appear on pages 60 and 61. All the directors, with the exception of Lord Jay who is retiring as a non-executive director with effect from 30 November 2015, are standing for election or re-election at this year's AGM in December.

Appointment of directors

The Company's articles of association (the 'Articles') give the directors power to appoint and replace directors. Under the terms of reference of the Nomination committee, any appointment must be recommended by the Nomination committee for approval by the board of directors. A person who is not recommended by the directors may only be appointed as a director where details of that director have been provided at least seven and not more than 35 days prior to the relevant meeting by at least two members of the Company. The Articles require directors to retire and submit themselves for election at the first AGM following appointment and all directors who held office at the time of the two preceding AGMs and, in any event, not less than one-third of the relevant directors (excluding those directors who retire other than by rotation), to submit themselves for re-election. The Articles notwithstanding, all directors, with the exception of Lord Jay, will stand for election or re-election at the AGM this year in compliance with the UK Corporate Governance Code. Details of unexpired terms of directors' service contracts are set out in the Remuneration report on page 88.

Power of directors

The directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. As indicated above, powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders at the AGM each year.

Directors' indemnities

Three directors of operating subsidiaries benefited from qualifying third-party indemnity provisions provided by the Company's wholly owned subsidiary, ABF Investments plc, during the financial year and at the date of this report.

The directors of a subsidiary company that acts as trustee of a group pension scheme benefited from a qualifying pension scheme indemnity provision during the financial year and at the date of this report.

Directors' share interests

Details regarding the share interests of the directors and their connected persons in the share capital of the Company, including any interests under the long-term incentive plan, are set out in the Remuneration report on pages 85 and 86.

Employees

During the year under review, the group employed an average of 124,036 people worldwide (2014: 118,209) of whom 42,416 were employed in the UK. The group's business priority is to safeguard the wellbeing, development and safety of its employees and those who work with it. It also wants employees to have opportunities to grow and progress as part of an enjoyable career. While the group's approach to human resource management is decentralised, with flexibility given to each of the businesses, as a group it 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, including those with disabilities, having regard for 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 and the group is committed to providing a safe and healthy workplace to protect all employees, visitors and the public from foreseeable work hazards. The health and safety policy is available on the Company's website at www.abf.co.uk;
- harassment – sexual, mental or physical harassment in the workplace will not be tolerated. It is expected that incidents of harassment are reported to the appropriate human resources director;
- human rights – the group provides opportunities that promote human rights and dignity every day through the employment created, both directly and indirectly in its global supply chains and through the positive

contribution its products make to people's lives. Ongoing engagement and collaboration with a broad range of interested and concerned stakeholder groups is valued and the group is active in its collaborative approach, seeking to remain sensitive to the risks of adverse human rights impacts resulting from its products, services and operations. Further details on the group's approach to human rights can be found in the 2015 Corporate Responsibility Update which is available on the Company's website at www.abf.co.uk/responsibility;

- 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 with regard to decision-making and to achieve a common awareness of all the financial and economic factors affecting the performance of the group. Information relevant to the employees will be provided systematically to employees; and
- security – the security of our staff and customers is paramount and the group will at all times take the necessary steps to minimise risks to their safety.

Employees are provided with information on the performance of their local business and their involvement is encouraged in a variety of ways, such as through engagement surveys, business forums, executive leadership programmes and management presentations.

The group encourages an open culture in all its dealings between employees and people with whom it comes into contact. Effective and honest communication is essential if malpractice and wrongdoing are to be dealt with effectively. The group's whistleblowing procedure sets out guidelines for individuals who feel they need to raise certain issues in confidence with the Company or their own business. Every effort is made to protect the confidentiality of those who raise concerns, and employees may come forward without fear for their position.

Disclosures required under Listing Rule 9.8.4R

The following table is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the annual report and accounts at the references set out below.

Information required	Location in annual report
Dividend waiver	Note 22 on page 128
Board statement on relationship agreement with controlling shareholder	Directors' report on page 91

Relationship agreement with controlling shareholders

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company is known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions in the Listing Rules and which must contain undertakings that:

- transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Wittington Investments Limited ('Wittington') and, through their control of Wittington, the trustees of the Garfield Weston Foundation ('the Foundation') are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 12 September 2015, have a combined interest in approximately 59.06% of the Company's voting rights.

The board confirms that, in accordance with the Listing Rules, on 14 November 2014 the Company entered into a relationship agreement with Wittington and the trustees of the Foundation containing the required undertakings (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, Wittington has agreed to procure compliance with the undertakings by the other individuals who are treated as controlling shareholders (the 'Non-Signing Controlling Shareholders'). The board confirms that, during the period under review, that is, from entry into the Relationship Agreement on 14 November 2014 until 12 September 2015:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the controlling shareholders and their associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement as regards compliance with the independence provisions by the Non-Signing Controlling Shareholders and their associates, has been complied with by Wittington.

Major interests in shares

As at 28 October 2015, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material interest in its shares:

Shareholder	Number of ordinary shares	% of issued share capital	Date of notification of interest
The Capital Group Companies, Inc.	63,562,102	8.03	12 December 2014

Share capital

Details of the Company's share capital and the rights attached to the Company's shares are set out in note 20 on page 125. The Company has one class of share capital: ordinary shares of $5^{15}/_{22}$p. The rights and obligations attaching to these shares are governed by UK law and the Company's Articles.

No shareholder holds securities carrying special rights with regard to the control of the Company. There are no restrictions on voting rights.

DIRECTORS' REPORT

There are no restrictions on the transfer of the ordinary shares other than the standard restrictions for a UK-quoted company set out in article 32 of the Company's Articles.

Authority to issue shares

At the AGM held on 5 December 2014, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to two-thirds of the shares in issue (of which one-third must be offered by way of rights issue). This authority expires on the date of this year's AGM to be held on 4 December 2015. No such shares have been issued. The directors propose to renew this authority at the 2015 AGM for the forthcoming year.

A further special resolution passed at that meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the 2015 AGM and the directors will seek to renew this authority for the forthcoming year.

Authority to purchase own shares

The Companies Act 2006 empowers the Company to purchase its own shares subject to the necessary shareholder approval. The Company has no existing authority to purchase its own shares.

Amendment to Company's articles of association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the shareholders.

Significant agreements – change of control

The group has contractual arrangements with many parties including directors, employees, customers, suppliers and banking groups. The following arrangements are considered to be significant in terms of their potential impact on the business of the group as a whole and could alter or terminate on a change of control of the Company:

- the group has a number of borrowing facilities provided by various banking groups. These facility agreements generally include change of control provisions which, in the event of a change in ownership of the Company, could result in their renegotiation or withdrawal. The most significant of these are the £1.2bn syndicated loan facility signed on 15 July 2014 which was undrawn at the year end; and
- in addition to these bank facilities, the Company has in issue US$680m of private placement notes to institutional investors. In the event of a change in ownership of the Company, the Company is obliged to make an offer of immediate repayment to the remaining note holders.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Political donations

The Company did not make any political donations during 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 24 on pages 129 to 138.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the group.

The Company has a major technical centre in the UK at the Allied Technical Centre. Facilities also exist at ACH Food Companies in the US, Weston Technologies and AB Mauri in Australia and the Netherlands, and AB Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

Branches

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

Post-balance sheet events

There have been no significant events affecting the group from 12 September 2015 to the date of this report requiring disclosure.

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this Directors' report confirm that:

- so far as he/she is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

For these purposes, relevant audit information means information needed by the Company's auditors in connection with the preparation of their report on pages 94 and 95.

Auditors

Ernst & Young LLP have agreed to be appointed as auditors of the Company with effect from 4 November 2015 in place of KPMG LLP. Resolutions for the appointment of Ernst & Young LLP as auditors of the Company and to authorise the Audit committee to determine their remuneration are to be proposed at the forthcoming AGM.

Annual general meeting

The AGM will be held on 4 December 2015 at 11.00 am at Congress Centre, 28 Great Russell Street, London WC1B 3LS. Details of the resolutions to be proposed are set out in a separate Notice of meeting which accompanies this report for shareholders receiving hard copy documents and which is available at www.abf.co.uk for those who have elected to receive documents electronically. At the 2015 AGM, all voting will be by poll using electronic handsets.

On behalf of the board

Paul Lister
Company Secretary

3 November 2015

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

Company No. 293262

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required 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.

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 parent company 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Remuneration report and Corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge:

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

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Charles Sinclair
Chairman

George Weston
Chief Executive

John Bason
Finance Director

3 November 2015

INDEPENDENT AUDITOR'S REPORT

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Associated British Foods plc for the 52 week period ended 12 September 2015 set out on pages 96 to 151.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 12 September 2015 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying value of goodwill, other intangibles and property plant and equipment of £1,404m

Carrying value non-current assets of AB Mauri (£531m), Australian meat (£84m), UK Bakeries (£258m) and European sugar (£531m).

Refer to pages 71 (Audit committee report), 106 (accounting policy) and 114 to 117 (financial disclosures).

The risk

AB Mauri, Australian meat, European sugar and UK Bakeries have all experienced difficult trading environments in recent years.

AB Mauri's profitability has been impacted by competitive pricing pressures in some of its businesses compounded by macro-economic conditions, including high inflation rates and currency devaluations.

The Australian meat and UK Bakery businesses operate in environments of significant retailer pressure on price and competitor activity.

Uncertainty surrounding the impact of regime reform abolishing EU sugar quotas in 2017 and low world sugar prices have led to a significant decline in profitability of the group's European sugar businesses. Improvement in profitability is dependent on recovery in sugar prices and maintaining competitive advantage through optimising factory performance.

In light of these trading challenges and the sensitivity to improvement in profitability, there is a risk that the group's significant goodwill, other intangibles and property plant and equipment balances in respect of AB Mauri, Australian meat, UK Bakeries and European sugar businesses may not be recoverable.

The recoverability of these assets' carrying value is therefore dependent on forecasting and discounting future cash flows, which is inherently uncertain.

North China which was previously considered to be at risk of impairment is no longer included following the disposal of two of the four factories and the associated losses on disposals recognised in the current year.

Our response

Our audit procedures included testing the principles and integrity of the group's discounted cash flow model for each highlighted cash generating unit (CGU).

To assess the reasonableness of the cash flow model's principal assumptions we compared them to externally derived data such as inflation, GDP growth forecasts, future commodity price indicators as well as our own assessments which took into account historic trends and other corroborative evidence available.

Our response continued

This assessment covered key inputs such as projected economic growth, operational improvement in factory performance, cost inflation, selling prices, volumes, and discount rates, as well as performing break-even analysis on the assumptions to assess the sensitivity of them on the headroom of each CGU.

We tested the sensitivity of the impairment calculations to changes in key assumptions used by the directors to evaluate the impact on the headroom for each CGU and to assess the reasonableness of the disclosures made.

We also assessed whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the key risks inherent in the valuation of goodwill, other intangibles and property, plant and equipment.

Tax provisioning (included within income tax creditor of £126m)

Refer to pages 71 (Audit committee report), 106 (accounting policy) and 112 (financial disclosures).

The risk

Accruals for tax contingencies require the directors to make judgements and estimates in relation to tax issues and exposures given that the group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities.

Our response

In this area our audit procedures included the use of our own international and local tax specialists to assess the group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts.

We also considered the adequacy of the group's disclosures in respect of tax and uncertain tax positions.

3. Our application of materiality and an overview of the scope of our audit
The materiality for the group financial statements as a whole was set at £50m, determined with reference to a benchmark of group profit before tax normalised to exclude impairment charges of £98m as disclosed in note 2 and losses on disposal and closures of businesses of £172m as disclosed in note 21 of £987m (of which it represents 5%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m for items impacting the income statement and £2m for items in respect of balance sheet misclassifications in addition to other identified misstatements that warrant reporting on qualitative grounds.

Of the group's 598 reporting components, we subjected 202 to audit for group reporting purposes and 40 to specified risk-focused audit procedures. The latter were not individually financially significant to require an audit for group reporting purposes, but were included in the scope of our group reporting work in order to provide further coverage over the identified risks and the group's results.

The components within the scope of our audit work accounted for the percentages of the group's results as shown in the table below.†

The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the component materialities which ranged from £0.01m to £35m, having regard to the mix of size and risk profile of the group across the components. The work on 84 of the 242 components was performed by component auditors and the rest by the group audit team.

The group audit team visited 55 components in Ireland, UK, the US, Germany, Brazil, Spain and China. Telephone conference meetings were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the group and divisional audit team were discussed in more detail, and any further work required by the group and divisional audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

5. We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Governance section of the annual report does not appropriately address matters communicated by us to the Audit committee.

Under the Companies Act 2006 we are required 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 and the part of the Remuneration report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 67 in relation to going concern; and
- the part of the Corporate Governance Statement on page 62 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' responsibilities statement set out on page 93, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Pinckard
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

3 November 2015

†Audit coverage

	Number of components	Group revenue	Group profit before tax	Total assets
Audits for group reporting purposes	202	84%	86%	85%
Specified risk focused audit procedures	40	7%	4%	6%
Total	**242**	**91%**	**90%**	**91%**

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 12 September 2015

Continuing operations	Note	2015 £m	2014 £m
Revenue	1	**12,800**	12,943
Operating costs before exceptional item	2	**(11,811)**	(11,865)
Exceptional item	2	**(98)**	–
		891	1,078
Share of profit after tax from joint ventures and associates	11	**48**	13
Profits less losses on disposal of non-current assets		**8**	(11)
Operating profit		**947**	1,080
Adjusted operating profit	1	**1,092**	1,163
Profits less losses on disposal of non-current assets		**8**	(11)
Amortisation of non-operating intangibles	8	**(55)**	(72)
Exceptional item	2	**(98)**	–
Profits less losses on sale and closure of businesses	21	**(172)**	(2)
Profit before interest		**775**	1,078
Finance income	4	**8**	15
Finance expense	4	**(61)**	(73)
Other financial expense	4	**(5)**	–
Profit before taxation		**717**	1,020
Adjusted profit before taxation		**1,034**	1,105
Profits less losses on disposal of non-current assets		**8**	(11)
Amortisation of non-operating intangibles	8	**(55)**	(72)
Exceptional item	2	**(98)**	–
Profits less losses on sale and closure of businesses	21	**(172)**	(2)
Taxation – UK (excluding tax on exceptional item)		**(88)**	(117)
– UK (on exceptional item)		**22**	–
– Overseas		**(127)**	(120)
	5	**(193)**	(237)
Profit for the period		**524**	783
Attributable to			
Equity shareholders		**532**	762
Non-controlling interests		**(8)**	21
Profit for the period		**524**	783
Basic and diluted earnings per ordinary share (pence)	7	**67.3**	96.5
Dividends per share paid and proposed for the period (pence)	6	**35.0**	34.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 12 September 2015

	2015 £m	2014 £m
Profit for the period recognised in the income statement	**524**	783
Other comprehensive income		
Remeasurements of defined benefit schemes	**27**	(25)
Deferred tax associated with defined benefit schemes	**(5)**	3
Items that will not be reclassified to profit or loss	**22**	(22)
Effect of movements in foreign exchange	**(457)**	(275)
Net gain on hedge of net investment in foreign subsidiaries	**22**	25
Deferred tax associated with movements in foreign exchange	**2**	–
Current tax associated with movements in foreign exchange	**1**	2
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**(8)**	–
Movement in cash flow hedging position	**(56)**	55
Deferred tax associated with movement in cash flow hedging position	**11**	(11)
Share of other comprehensive income of joint ventures and associates	**(2)**	(5)
Items that are or may be subsequently reclassified to profit or loss	**(487)**	(209)
Other comprehensive income for the period	**(465)**	(231)
Total comprehensive income for the period	**59**	552
Attributable to		
Equity shareholders	**150**	580
Non-controlling interests	**(91)**	(28)
Total comprehensive income for the period	**59**	552

CONSOLIDATED BALANCE SHEET

at 12 September 2015

	Note	2015 £m	2014 £m
Non-current assets			
Intangible assets	8	**1,367**	1,467
Property, plant and equipment	9	**4,488**	4,665
Biological assets	10	**83**	96
Investments in joint ventures	11	**180**	180
Investments in associates	11	**32**	32
Employee benefits assets	12	**125**	90
Deferred tax assets	13	**125**	152
Other receivables	14	**23**	164
Total non-current assets		**6,423**	6,846
Current assets			
Inventories	15	**1,827**	1,631
Biological assets	10	**70**	109
Trade and other receivables	14	**1,176**	1,293
Derivative assets	24	**74**	74
Cash and cash equivalents	16	**702**	519
Total current assets		**3,849**	3,626
Total assets		**10,272**	10,472
Current liabilities			
Loans and overdrafts	17	**(319)**	(358)
Trade and other payables	18	**(2,226)**	(2,046)
Derivative liabilities	24	**(33)**	(15)
Income tax		**(126)**	(193)
Provisions	19	**(38)**	(72)
Total current liabilities		**(2,742)**	(2,684)
Non-current liabilities			
Loans	17	**(577)**	(607)
Provisions	19	**(28)**	(29)
Deferred tax liabilities	13	**(233)**	(266)
Employee benefits liabilities	12	**(141)**	(133)
Total non-current liabilities		**(979)**	(1,035)
Total liabilities		**(3,721)**	(3,719)
Net assets		**6,551**	6,753
Equity			
Issued capital	20	**45**	45
Other reserves	20	**175**	175
Translation reserve	20	**(125)**	238
Hedging reserve	20	**(11)**	29
Retained earnings		**6,252**	5,950
Total equity attributable to equity shareholders		**6,336**	6,437
Non-controlling interests		**215**	316
Total equity		**6,551**	6,753

The financial statements on pages 96 to 146 were approved by the board of directors on 3 November 2015 and were signed on its behalf by:

Charles Sinclair
Chairman

John Bason
Director

CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 12 September 2015

	2015 £m	2014 £m
Cash flow from operating activities		
Profit before taxation	**717**	1,020
Profits less losses on disposal of non-current assets	**(8)**	11
Profits less losses on sale and closure of businesses	**172**	2
Finance income	**(8)**	(15)
Finance expense	**61**	73
Other financial expense	**5**	–
Share of profit after tax from joint ventures and associates	**(48)**	(13)
Amortisation	**81**	94
Depreciation	**401**	402
Exceptional item	**98**	–
Net change in the fair value of biological assets	**4**	(21)
Share-based payment expense	**11**	15
Pension costs less contributions	**6**	7
Increase in inventories	**(310)**	(119)
Decrease in receivables	**10**	19
Increase in payables	**234**	200
Purchases less sales of current biological assets	**(2)**	(3)
(Decrease)/increase in provisions	**(28)**	13
Cash generated from operations	**1,396**	1,685
Income taxes paid	**(230)**	(246)
Net cash from operating activities	**1,166**	1,439
Cash flows from investing activities		
Dividends received from joint ventures and associates	**50**	17
Purchase of property, plant and equipment	**(582)**	(676)
Purchase of intangibles	**(31)**	(32)
Purchase of non-current biological assets	**(1)**	–
Sale of property, plant and equipment	**72**	17
Purchase of subsidiaries, joint ventures and associates	**(52)**	(8)
Sale of subsidiaries, joint ventures and associates	**5**	15
Loans to joint ventures	**(7)**	(15)
Interest received	**7**	10
Net cash from investing activities	**(539)**	(672)
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(16)**	(21)
Dividends paid to equity shareholders	**(271)**	(256)
Interest paid	**(64)**	(77)
Financing:		
Decrease in short-term loans	**(115)**	(158)
Increase/(decrease) in long-term loans	**15**	(10)
Sale of shares in subsidiary undertakings to non-controlling interests	**11**	1
Movements from changes in own shares held	**–**	(59)
Net cash from financing activities	**(440)**	(580)
Net increase in cash and cash equivalents	**187**	187
Cash and cash equivalents at the beginning of the period	**399**	243
Effect of movements in foreign exchange	**(1)**	(31)
Cash and cash equivalents at the end of the period	**585**	399

Financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 weeks ended 12 September 2015

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 14 September 2013		45	175	440	(13)	5,508	6,155	364	6,519
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	762	762	21	783
Remeasurements of defined benefit schemes		–	–	–	–	(25)	(25)	–	(25)
Deferred tax associated with defined benefit schemes		–	–	–	–	3	3	–	3
Items that will not be reclassified to profit or loss		–	–	–	–	(22)	(22)	–	(22)
Effect of movements in foreign exchange		–	–	(224)	–	–	(224)	(51)	(275)
Net gain on hedge of net investment in foreign subsidiaries		–	–	25	–	–	25	–	25
Current tax associated with movements in foreign exchange		–	–	2	–	–	2	–	2
Movement in cash flow hedging position		–	–	–	53	–	53	2	55
Deferred tax associated with movement in cash flow hedging position		–	–	–	(11)	–	(11)	–	(11)
Share of other comprehensive income of joint ventures and associates		–	–	(5)	–	–	(5)	–	(5)
Items that are or may be subsequently reclassified to profit or loss		–	–	(202)	42	–	(160)	(49)	(209)
Other comprehensive income		–	–	(202)	42	(22)	(182)	(49)	(231)
Total comprehensive income		–	–	(202)	42	740	580	(28)	552
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(256)	(256)	–	(256)
Net movement in own shares held		–	–	–	–	(44)	(44)	–	(44)
Current tax associated with share-based payments		–	–	–	–	2	2	–	2
Dividends paid to non-controlling interests		–	–	–	–	–	–	(21)	(21)
Acquisition of non-controlling interests		–	–	–	–	–	–	1	1
Total transactions with owners		–	–	–	–	(298)	(298)	(20)	(318)
Balance as at 13 September 2014		45	175	238	29	5,950	6,437	316	6,753
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	532	532	(8)	524
Remeasurements of defined benefit schemes		–	–	–	–	26	26	1	27
Deferred tax associated with defined benefit schemes		–	–	–	–	(5)	(5)	–	(5)
Items that will not be reclassified to profit or loss		–	–	–	–	21	21	1	22
Effect of movements in foreign exchange		–	–	(376)	(1)	–	(377)	(80)	(457)
Net gain on hedge of net investment in foreign subsidiaries		–	–	22	–	–	22	–	22
Deferred tax associated with movements in foreign exchange		–	–	–	–	–	–	2	2
Current tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	(8)	–	–	(8)	–	(8)
Movement in cash flow hedging position		–	–	–	(49)	–	(49)	(7)	(56)
Deferred tax associated with movement in cash flow hedging position		–	–	–	10	–	10	1	11
Share of other comprehensive income of joint ventures and associates		–	–	(2)	–	–	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	(363)	(40)	–	(403)	(84)	(487)
Other comprehensive income		–	–	(363)	(40)	21	(382)	(83)	(465)
Total comprehensive income		–	–	(363)	(40)	553	150	(91)	59
Transactions with owners									
Dividends paid to equity shareholders	6	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	11	11	–	11
Current tax associated with share-based payments		–	–	–	–	4	4	–	4
Dividends paid to non-controlling interests		–	–	–	–	–	–	(16)	(16)
Acquisition and disposal of non-controlling interests		–	–	–	–	5	5	6	11
Total transactions with owners		–	–	–	–	(251)	(251)	(10)	(261)
Balance as at 12 September 2015		**45**	**175**	**(125)**	**(11)**	**6,252**	**6,336**	**215**	**6,551**

SIGNIFICANT ACCOUNTING POLICIES

for the 52 weeks ended 12 September 2015

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 12 September 2015 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 financial statements were authorised for issue by the directors on 3 November 2015.

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 UK Generally Accepted Accounting Practice. These are presented on pages 147 to 151.

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 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 on page 106.

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 12 September 2015. To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint arrangements and associates are included up to 31 August each year. The results of Illovo are included for the period to 30 September each year in line with Illovo's local reporting date. Adjustments are made as appropriate for significant transactions or events occurring between 12 September and these other balance sheet dates.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 6 to 45. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 46 and 47. In addition, the Principal risks and uncertainties on pages 56 to 59 and note 24 on pages 129 to 138 provide details of the group's policy on managing its financial and commodity risks.

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

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiaries 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 arrangements 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.

SIGNIFICANT ACCOUNTING POLICIES

for the 52 weeks ended 12 September 2015

Control, joint control and significant influence are generally assessed by reference to equity shareholdings and voting rights. The group owns a 51% stake in Illovo, which itself owns majority stakes in its non-South African businesses. Although the group's ultimate interest in these non-South African businesses is less than 50%, they are consolidated as they are subsidiaries of a subsidiary. See note 28 for further details.

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 acquisition 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 profit and earnings measures

Adjusted operating profit is stated before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets and exceptional items. Adjusted profit before tax is stated before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, profits less losses on sale and closure of businesses and exceptional items. Both measures are shown on the face of the income statement.

Adjusted earnings per share is shown in the notes and is stated before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, profits less losses on sale and closure of businesses and exceptional items together with the related tax effect.

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 weighted average rates of exchange.

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

Pensions and other post-employment benefits
The group's principal pension schemes are defined benefit plans. In addition the group has 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 remeasurement in other comprehensive income.

Contributions payable by the group in respect of defined contribution 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 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 other comprehensive income.

Current tax is the tax expected to be payable on 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 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.

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.

SIGNIFICANT ACCOUNTING POLICIES

for the 52 weeks ended 12 September 2015

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 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 5 years
Grower agreements – up to 10 years

Goodwill

Goodwill is defined under 'Business combinations' on page 102. 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 charges.

Impairment

The carrying amounts of the group's intangible assets and property, plant and equipment 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 each balance sheet date.

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, 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, recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

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

Property, plant and equipment

Items of property, plant and 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 and equipment sufficient to reduce them to estimated residual value. Land is not depreciated. Estimated useful lives are generally deemed to be no longer than:

Freehold buildings	66 years
Plant and equipment, fixtures and fittings	
– sugar factories, yeast plants, mills and bakeries	20 years
– other operations	12 years
Vehicles	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.

Biological assets

Biological assets are measured at fair value less costs to sell. Cane roots and growing cane are stated at fair value on the following bases:

Cane roots – escalated average cost, using appropriate inflation-related indices, of each year of planting adjusted for remaining expected life.

Growing cane – estimated sucrose content valued at estimated sucrose price for the following season, less 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 appropriate trading margin. All retail inventories are finished goods.

New accounting policies

IFRS 12 *Disclosure of Interests in Other Entities* is applied for the first time in 2015. It requires disclosure of information on the group's economic interests. The new and amended disclosures are given principally in notes 28 and 11.

The group has adopted the following new and amended IFRSs and IFRIC interpretations with no material impact apart from minor disclosure changes (all effective from 14 September 2014):

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- *Annual Improvements to IFRSs 2010–2012 and 2011–2013*; and
- IAS 28 *Investments in Associates and Joint Ventures*.

The group is also assessing the impact of the following revised standards and interpretations or 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. The impact of these standards is currently under review (all effective from 13 September 2015 unless otherwise stated):

- *Annual Improvements to IFRSs 2012–2014* effective 2017 financial year;
- IFRS 9 *Financial Instruments: Classification and Measurement* effective 2019 financial year (not yet endorsed by the EU);
- IFRS 15 *Revenue from Contracts with Customers* effective 2018 financial year (not yet endorsed by the EU); and
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* effective 2017 financial year, which changes the accounting requirements for bearer plants (cane roots, in the case of the group) (not yet endorsed by the EU).

ACCOUNTING ESTIMATES AND JUDGEMENTS

for the 52 weeks ended 12 September 2015

In applying the accounting policies detailed on pages 101 to 105, 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 considered 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 liability of £16m being recognised as at 12 September 2015. The size of this net liability 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 12.

Biological assets

Cane roots valuation requires an estimation by management of the average number of ratoons expected from each root. The carrying value of cane roots is disclosed in note 10.

For the growing cane valuation, estimated sucrose content requires management to assess expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes; estimated sucrose price requires management to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 10.

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 reflect the best estimate of the liability. The group believes it has made adequate provision for such matters.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

1. Operating segments

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

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

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

The group is comprised of the following operating segments:

Grocery
The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, cereals, ethnic foods, herbs & spices, and meat products, which are sold to retail, wholesale and foodservice businesses.

Sugar
The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the grocery segment.

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

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

Retail
Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

1. Operating segments continued

Geographical information

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

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

	Revenue		Adjusted operating profit	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Operating segments				
Grocery	**3,177**	3,337	**285**	269
Sugar	**1,818**	2,083	**43**	189
Agriculture	**1,211**	1,312	**60**	50
Ingredients	**1,247**	1,261	**76**	41
Retail	**5,347**	4,950	**673**	662
Central	**–**	–	**(45)**	(49)
	12,800	12,943	**1,092**	1,162
Businesses disposed:				
Grocery	**–**	–	**–**	1
	12,800	12,943	**1,092**	1,163
Geographical information				
United Kingdom	**5,444**	5,631	**535**	602
Europe & Africa	**4,080**	3,924	**335**	393
The Americas	**1,269**	1,211	**148**	127
Asia Pacific	**2,007**	2,177	**74**	40
	12,800	12,943	**1,092**	1,162
Businesses disposed:				
Asia Pacific	**–**	–	**–**	1
	12,800	12,943	**1,092**	1,163

Disposed businesses in 2014 comprised the disposal of the group's interest in a US associate in the Ingredients segment, and an associated Australian royalty stream in the Grocery segment.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the 52 weeks ended 12 September 2015

1. Operating segments continued
For the 52 weeks ended 12 September 2015

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,179	1,887	1,213	1,402	5,347	(228)	12,800
Internal revenue	(2)	(69)	(2)	(155)	–	228	–
Revenue from external customers	3,177	1,818	1,211	1,247	5,347	–	12,800
Adjusted operating profit before joint ventures and associates	259	43	48	66	673	(45)	1,044
Share of profit after tax from joint ventures and associates	26	–	12	10	–	–	48
Adjusted operating profit	285	43	60	76	673	(45)	1,092
Profits less losses on disposal of non-current assets	19	3	1	–	(8)	(7)	8
Amortisation of non-operating intangibles	(19)	(35)	–	(1)	–	–	(55)
Exceptional item	–	(98)	–	–	–	–	(98)
Profits less losses on sale and closure of businesses	6	(181)	3	–	–	–	(172)
Profit before interest	291	(268)	64	75	665	(52)	775
Finance income						8	8
Finance expense						(61)	(61)
Other financial expense						(5)	(5)
Taxation						(193)	(193)
Profit for the period	291	(268)	64	75	665	(303)	524
Segment assets (excluding joint ventures and associates)	2,369	2,069	318	1,142	3,126	84	9,108
Investments in joint ventures and associates	22	17	125	48	–	–	212
Segment assets	2,391	2,086	443	1,190	3,126	84	9,320
Cash and cash equivalents						702	702
Deferred tax assets						125	125
Employee benefits assets						125	125
Segment liabilities	(451)	(391)	(115)	(230)	(1,034)	(104)	(2,325)
Loans and overdrafts						(896)	(896)
Income tax						(126)	(126)
Deferred tax liabilities						(233)	(233)
Employee benefits liabilities						(141)	(141)
Net assets	1,940	1,695	328	960	2,092	(464)	6,551
Non-current asset additions	104	121	17	58	351	6	657
Depreciation	94	76	9	45	173	4	401
Amortisation	37	39	2	3	–	–	81
Exceptional item	–	(98)	–	–	–	–	(98)
Impairment of goodwill on disposal of business	–	46	–	–	–	–	46
Impairment of intangible on closure of business	–	11	–	–	–	–	11

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,444	4,080	1,269	2,007	12,800
Segment assets	3,977	3,059	1,009	1,275	9,320
Non-current asset additions	216	289	91	61	657
Depreciation	185	118	27	71	401
Amortisation	29	38	4	10	81
Exceptional item	(98)	–	–	–	(98)
Impairment of goodwill on disposal of business	–	–	–	46	46
Impairment of intangible on closure of business	–	–	11	–	11

1. Operating segments continued

For the 52 weeks ended 13 September 2014

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,344	2,164	1,312	1,423	4,950	(250)	12,943
Internal revenue	(7)	(81)	–	(162)	–	250	–
Revenue from external customers	3,337	2,083	1,312	1,261	4,950	–	12,943
Adjusted operating profit before joint ventures and associates	254	215	36	31	662	(49)	1,149
Share of profit after tax from joint ventures and associates	15	(26)	14	10	–	–	13
Businesses disposed	1	–	–	–	–	–	1
Adjusted operating profit	270	189	50	41	662	(49)	1,163
Profits less losses on disposal of non-current assets	6	–	1	–	(14)	(4)	(11)
Amortisation of non-operating intangibles	(50)	(17)	(3)	(2)	–	–	(72)
Profits less losses on sale and closure of businesses	–	–	–	(2)	–	–	(2)
Profit before interest	226	172	48	37	648	(53)	1,078
Finance income						15	15
Finance expense						(73)	(73)
Taxation						(237)	(237)
Profit for the period	226	172	48	37	648	(348)	783
Segment assets (excluding joint ventures and associates)	2,431	2,327	312	1,266	2,948	215	9,499
Investments in joint ventures and associates	38	13	113	48	–	–	212
Segment assets	2,469	2,340	425	1,314	2,948	215	9,711
Cash and cash equivalents						519	519
Deferred tax assets						152	152
Employee benefits assets						90	90
Segment liabilities	(495)	(385)	(125)	(251)	(784)	(122)	(2,162)
Loans and overdrafts						(965)	(965)
Income tax						(193)	(193)
Deferred tax liabilities						(266)	(266)
Employee benefits liabilities						(133)	(133)
Net assets	1,974	1,955	300	1,063	2,164	(703)	6,753
Non-current asset additions	153	103	28	65	394	1	744
Depreciation	96	80	7	44	171	4	402
Amortisation	64	20	6	4	–	–	94
Impairment of goodwill on closure of business	–	–	–	4	–	–	4

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,631	3,924	1,211	2,177	12,943
Segment assets	3,951	3,220	968	1,572	9,711
Non-current asset additions	279	351	34	80	744
Depreciation	184	122	27	69	402
Amortisation	22	19	43	10	94
Impairment of goodwill on closure of business	–	–	–	4	4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

2. Operating costs

	Note	2015 £m	2014 £m
Operating costs			
Cost of sales (including amortisation of intangibles)		**9,771**	9,793
Distribution costs		**1,259**	1,271
Administration expenses		**781**	801
Exceptional item		**98**	–
		11,909	11,865
Operating costs are stated after charging/(crediting):			
Employee benefits expense	3	**2,058**	2,006
Amortisation of non-operating intangibles	8	**55**	72
Amortisation of operating intangibles	8	**26**	22
Profits less losses on disposal of non-current assets		**(8)**	11
Depreciation of owned property, plant and equipment	9	**401**	402
Exceptional impairment of non-current loans and receivables		**98**	–
Operating lease payments under property leases		**192**	175
Operating lease payments for hire of plant and equipment		**14**	14
Other operating income		**(25)**	(19)
Research and development expenditure		**37**	38
Fair value gains on financial assets and liabilities held for trading		**(11)**	(12)
Fair value losses on financial assets and liabilities held for trading		**12**	5
Foreign exchange gains on operating activities		**(68)**	(33)
Foreign exchange losses on operating activities		**69**	43

The exceptional item is a £98m non-cash charge to impair the group's shareholder loans to Vivergo Fuels which, at the time of the impairment, was a joint venture in which the group's equity interest was 47%. Vivergo Fuels is based in the UK and is included in the Sugar segment. The impairment was a consequence of the continuing fall in crude oil and bioethanol prices and the further weakening of the euro against sterling, both of which affected the group's assessment of the recoverability of the shareholder loans. An exceptional tax credit of £22m arose on this item.

Auditors' remuneration	2015 £m	2014 £m
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	**0.7**	0.6
Audit of the Company's subsidiaries' financial statements	**4.9**	5.2
Total audit remuneration	**5.6**	5.8
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	**0.3**	0.3
Tax compliance services	**0.6**	0.7
Tax advisory services	**0.9**	1.3
Information technology services	**0.2**	0.1
All other services	**0.3**	0.8
Total non-audit related remuneration	**2.3**	3.2
Fees payable to the Company's auditor and its associates in respect of the group's pension schemes		
Audit of the pension schemes	**0.1**	0.1
	0.1	0.1

3. Employees

		2015	2014
Average number of employees			
United Kingdom		**42,416**	41,942
Europe & Africa		**60,629**	54,852
The Americas		**4,421**	4,210
Asia Pacific		**16,570**	17,205
		124,036	118,209

	Note	£m	£m
Employee benefits expense			
Wages and salaries		**1,723**	1,672
Social security contributions		**201**	194
Contributions to defined contribution schemes	12	**76**	76
Charge for defined benefit schemes	12	**47**	49
Equity-settled share-based payment schemes	22	**11**	15
		2,058	2,006

Details of directors' remuneration, share options and pension entitlements are shown in the Remuneration report on pages 74 to 89.

4. Interest and other financial income and expense

	Note	2015 £m	2014 £m
Finance income			
Cash and cash equivalents		**8**	15
		8	15
Finance expense			
Bank loans and overdrafts		**(34)**	(39)
All other borrowings		**(25)**	(32)
Finance leases		**(1)**	(1)
Other payables		**(1)**	(1)
		(61)	(73)
Other financial income/(expense)			
Expected return on employee benefit scheme assets	12	**140**	148
Interest charge on employee benefit scheme liabilities	12	**(139)**	(148)
Interest charge on irrecoverable surplus	12	**(1)**	–
Net financial income from employee benefit schemes		**–**	–
Net foreign exchange losses on financing activities		**(5)**	–
Total other financial expense		**(5)**	–

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

5. Income tax expense

	2015 £m	2014 £m
Current tax expense		
UK – corporation tax at 20.5% (2014 – 22.1%)	**74**	137
Overseas – corporation tax	**109**	148
UK – (over)/under provided in prior periods	**(10)**	3
Overseas – overprovided in prior periods	**(15)**	(2)
	158	286
Deferred tax expense		
UK deferred tax	**(6)**	(17)
Overseas deferred tax	**25**	(19)
UK – under/(over) provided in prior periods	**8**	(6)
Overseas – under/(over) provided in prior periods	**8**	(7)
	35	(49)
Total income tax expense in income statement	**193**	237
Reconciliation of effective tax rate		
Profit before taxation	**717**	1,020
Less share of profit after tax from joint ventures and associates	**(48)**	(13)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**669**	1,007
Nominal tax charge at UK corporation tax rate of 20.5% (2014 – 22.1%)	**137**	222
Effect of higher and lower tax rates on overseas earnings	**(29)**	(11)
Effect of changes in tax rates on income statement	**3**	4
Expenses not deductible for tax purposes	**58**	25
Disposal of assets covered by tax exemptions or unrecognised capital losses	**23**	2
Deferred tax not recognised	**10**	7
Adjustments in respect of prior periods	**(9)**	(12)
	193	237
Income tax recognised directly in equity		
Deferred tax associated with defined benefit schemes	**5**	(3)
Current tax associated with share-based payments	**(4)**	(2)
Deferred tax associated with movement in cash flow hedging position	**(11)**	11
Deferred tax associated with movements in foreign exchange	**(2)**	–
Current tax associated with movements in foreign exchange	**(1)**	(2)
	(13)	4

A tax credit of £22m arising on the exceptional impairment charge in the year is included in UK current tax.

The UK corporation tax rate was reduced to 20% with effect from 1 April 2015 and UK deferred tax has been calculated using a rate of 20%. Further reductions in the corporation tax rate to 19% and 18% in April 2017 and April 2020 respectively have been substantively enacted since the balance sheet date. Accordingly, the effect of these changes on UK deferred tax balances will be included in 2015/16.

Deferred taxation balances are analysed in note 13.

6. Dividends

	2015 pence per share	2014 pence per share	2015 £m	2014 £m
2013 final	**–**	22.65	**–**	179
2014 interim	**–**	9.70	**–**	77
2014 final	**24.30**	–	**192**	–
2015 interim	**10.00**	–	**79**	–
	34.30	32.35	**271**	256

The 2015 interim dividend was declared on 21 April 2015 and paid on 3 July 2015. The 2015 final dividend of 25.00 pence, total value of £198m, will be paid on 8 January 2016 to shareholders on the register on 11 December 2015.

Dividends relating to the period were 35.00 pence per share totalling £277m (2014 – 34.00 pence per share totalling £269m).

7. Earnings per share

The calculation of basic earnings per share at 12 September 2015 was based on the net profit attributable to equity shareholders of £532m (2014 – £762m), and a weighted average number of shares outstanding during the year of 790 million (2014 – 790 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Ownership Plan Trust on which the dividends are being waived.

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

The diluted earnings per share calculation takes into account the dilutive effect of share incentives. The diluted, weighted average number of shares is 790 million (2014 – 790 million). There is no difference between basic and diluted earnings.

	2015 £m	2014 £m
Adjusted profit for the period	**806**	822
Disposal of non-current assets	**8**	(11)
Sale and closure of businesses	**(172)**	(2)
Exceptional item	**(98)**	–
Tax effect on above adjustments	**19**	(1)
Amortisation of non-operating intangibles	**(55)**	(72)
Tax credit on non-operating intangibles amortisation and goodwill	**8**	21
Non-controlling interests' share of the above adjustments	**16**	5
Profit for the period attributable to equity shareholders	**532**	762

	2015 pence	2014 pence
Adjusted earnings per share	**102.0**	104.1
Disposal of non-current assets	**1.0**	(1.4)
Sale and closure of businesses	**(21.7)**	(0.3)
Exceptional item	**(12.4)**	–
Tax effect on above adjustments	**2.4**	(0.1)
Amortisation of non-operating intangibles	**(7.0)**	(9.1)
Tax credit on non-operating intangibles amortisation and goodwill	**1.0**	2.7
Non-controlling interests' share of the above adjustments	**2.0**	0.6
Earnings per ordinary share	**67.3**	96.5

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

8. Intangible assets

		Non-operating					Operating	
	Goodwill £m	Technology £m	Brands £m	Customer relationships £m	Grower agreements £m	Other £m	Other £m	Total £m
Cost								
At 14 September 2013	1,266	227	370	102	140	7	225	2,337
Acquisitions – externally purchased	–	–	–	–	–	–	42	42
Acquired through business combinations	–	–	–	4	–	–	–	4
Other disposals	–	–	–	–	–	–	(12)	(12)
Effect of movements in foreign exchange	(43)	(32)	(8)	(9)	(17)	(1)	(7)	(117)
At 13 September 2014	1,223	195	362	97	123	6	248	2,254
Acquisitions – externally purchased	–	–	–	–	–	–	42	42
Acquired through business combinations	5	–	45	8	–	–	–	58
Businesses disposed	(46)	–	–	–	–	–	(11)	(57)
Other disposals	–	–	–	–	–	–	(16)	(16)
Effect of movements in foreign exchange	(36)	(15)	(5)	(10)	(18)	(1)	(14)	(99)
At 12 September 2015	**1,146**	**180**	**402**	**95**	**105**	**5**	**249**	**2,182**
Amortisation and impairment								
At 14 September 2013	29	227	208	96	98	7	91	756
Amortisation for the year	–	–	52	7	13	–	22	94
Impairment on closure of business	4	–	–	–	–	–	–	4
Other disposals	–	–	–	–	–	–	(3)	(3)
Effect of movements in foreign exchange	–	(32)	(5)	(10)	(12)	(1)	(4)	(64)
At 13 September 2014	33	195	255	93	99	6	106	787
Amortisation for the year	–	–	29	2	24	–	26	81
Businesses disposed	–	–	–	–	–	–	(2)	(2)
Impairment on closure of business	–	–	–	–	–	–	11	11
Other disposals	–	–	–	–	–	–	(5)	(5)
Effect of movements in foreign exchange	–	(15)	(4)	(10)	(18)	(1)	(9)	(57)
At 12 September 2015	**33**	**180**	**280**	**85**	**105**	**5**	**127**	**815**
Net book value								
At 14 September 2013	1,237	–	162	6	42	–	134	1,581
At 13 September 2014	1,190	–	107	4	24	–	142	1,467
At 12 September 2015	**1,113**	**–**	**122**	**10**	**–**	**–**	**122**	**1,367**

Impairment

As at 12 September 2015, the consolidated balance sheet included goodwill of £1,113m (2014 – £1,190m). Goodwill is allocated to the group's cash-generating units (CGUs), or groups of CGUs, 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 segment	Discount rate	2015 £m	2014 £m
ACH	Grocery	13.4%	**248**	236
AB Mauri	Ingredients	14.66%	**268**	291
Twinings Ovaltine	Grocery	10.0%	**119**	119
Capullo	Grocery	14.8%	**58**	58
Illovo	Sugar	14.71%	**102**	121
AB World Foods	Grocery	11.4%	**78**	78
North China Sugar	Sugar	–	**–**	45
Other (not individually significant)	Various	Various	**240**	242
			1,113	1,190

8. Intangible assets continued

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 is assessed by reference to its 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 on which the cash flow projections for the most recent annual budget 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 9.5% and 14.8% (2014 – between 10.0% and 15.7%).

The growth rates to perpetuity beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that are significant to the total carrying amount of goodwill, were in a range between 0% and 4%, consistent with the inflation factors included in the discount rates applied (2014 – between 0% and 5%).

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 with the exception of AB Mauri.

Notwithstanding a further substantial improvement in profit in the current year, particularly in the US, Canada, Brazil and HispanoAmerica, AB Mauri has continued to experience competitive pressure in a number of markets around the world. Management has reviewed detailed forecasts for this business for a period of ten years to reflect the time required for completion of the dry yeast production strategy, and has concluded that the assets are not impaired. Key drivers of the forecast improvement in performance include improved reach and competitiveness in the global dry yeast market from the yeast factory in Mexico, implementation of a number of margin improvement initiatives, particularly in cost reduction, and continuing growth in the global bakery ingredients business. Headroom was $190m on a CGU carrying value of $947m (2014 – headroom of $306m on a CGU carrying value of $1,078m). 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 14.66% (2014 – 12.7%) and would have to increase to more than 16.73% (2014 – 15.0%) before value in use fell below the CGU carrying value. Estimates of long-term growth rates beyond the forecast periods were 2%–3% (2014 – 2.5%–3%) per annum dependent on location.

For all goodwill other than AB Mauri, management has concluded that no reasonably possible change in key assumptions on which it has determined value in use would cause carrying values to materially exceed value in use.

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9. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 14 September 2013	2,298	3,286	1,630	150	7,364
Acquisitions – externally purchased	103	127	324	148	702
Acquired through business combinations	1	1	–	–	2
Other disposals	(7)	(91)	(61)	–	(159)
Transfers from assets under construction	28	111	3	(142)	–
Effect of movements in foreign exchange	(79)	(159)	(40)	(7)	(285)
At 13 September 2014	2,344	3,275	1,856	149	7,624
Acquisitions – externally purchased	76	114	299	125	614
Acquired through business combinations	2	2	–	–	4
Businesses disposed	(28)	(46)	–	–	(74)
Other disposals	(57)	(45)	(35)	–	(137)
Transfers from assets under construction	21	107	3	(131)	–
Effect of movements in foreign exchange	(103)	(223)	(74)	(18)	(418)
At 12 September 2015	**2,255**	**3,184**	**2,049**	**125**	**7,613**
Depreciation and impairment					
At 14 September 2013	502	1,688	622	–	2,812
Depreciation for the year	49	189	164	–	402
Other disposals	(2)	(56)	(61)	–	(119)
Effect of movements in foreign exchange	(29)	(94)	(13)	–	(136)
At 13 September 2014	520	1,727	712	–	2,959
Depreciation for the year	42	195	164	–	401
Businesses disposed	(9)	(18)	–	–	(27)
Other disposals	(14)	(26)	(35)	–	(75)
Effect of movements in foreign exchange	(43)	(74)	(16)	–	(133)
At 12 September 2015	**496**	**1,804**	**825**	**–**	**3,125**
Net book value					
At 14 September 2013	1,796	1,598	1,008	150	4,552
At 13 September 2014	1,824	1,548	1,144	149	4,665
At 12 September 2015	**1,759**	**1,380**	**1,224**	**125**	**4,488**

	2015 £m	2014 £m
Net book value of finance lease assets	**11**	10
Land and buildings at net book value comprise:		
– freehold	**1,360**	1,399
– long leasehold	**301**	322
– short leasehold	**98**	103
	1,759	1,824
Capital expenditure commitments – contracted but not provided for	**323**	324

Impairment
The methodology used to assess property, plant and equipment for impairment is the same as that described for impairment assessments of goodwill. See note 8 for further details.

An impairment of A$150m (£98m) was recorded in 2012 in the Australian meat business. Although further progress was made in the current year to reduce the factory cost base and improve efficiency, high-cost raw materials in the first half of the year held back the rate of profit improvement. 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$30m on a CGU carrying value of A$284m (2014 – headroom of A$26m on a CGU carrying value of A$286m). The discount rate used was 10.5% (2014 – 10.5%). Estimates of long-term growth rates beyond the forecast periods were 2.0% (2014 – 2.0%) per annum. A sensitivity of +/- 1% applied to volume assumptions after 2017 impacts headroom by +/- A$14m.

Low prices in the EU Sugar businesses led to a substantial fall in operating profit and resulted in them being assessed for impairment. Headroom in Azucarera in Spain was €116m on a CGU carrying value of €392m. The discount rate used was 12.83%. A sensitivity of +/- 1% applied to sugar pricing in 2020 and beyond impacts headroom by +/- €16m. Headroom in British Sugar was £228m on a CGU carrying value of £514m. The discount rate used was 9.7%. A sensitivity of +/- 1% applied to sugar pricing in 2020 and beyond impacts headroom by +/- £42m.

9. Property, plant and equipment continued

Low bread prices and strong competition in the UK bakery sector led to lower profitability at Allied Bakeries and resulted in the need for an assessment of impairment. Headroom was £27m on a CGU carrying value of £294m. The discount rate used was 10.95%. A sensitivity of +/- 1% applied to bread volumes impacts headroom by +/- £17m.

10. Biological assets

	Current			Non-current
	Growing cane £m	Other £m	Total £m	Cane roots £m
At 14 September 2013	103	9	112	97
Transferred to inventory	(72)	(25)	(97)	–
Purchases	–	3	3	–
Changes in fair value	80	26	106	12
Effect of movements in foreign exchange	(15)	–	(15)	(13)
At 13 September 2014	96	13	109	96
Transferred to inventory	(95)	(29)	(124)	–
Purchases	–	2	2	1
Changes in fair value	87	21	108	12
Effect of movements in foreign exchange	(24)	(1)	(25)	(26)
At 12 September 2015	**64**	**6**	**70**	**83**

The fair value of cane roots and growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for using the cane roots and the growing cane, and therefore fall into the level 3 category of fair value measurement.

	Area under cane at end of the period (hectares)		Expected life (years)		Inflation rates	
Cane roots	**2015**	2014	**2015**	2014	**2015**	2014
South Africa	**8,519**	8,176	**10**	10	**6%**	6%
Malawi	**19,940**	19,908	**8**	8	**22%**	25%
Zambia	**16,896**	16,994	**7**	7	**7%**	8%
Swaziland	**8,876**	8,646	**9**	9	**6%**	6%
Tanzania	**9,605**	9,643	**8**	8	**6%**	6%
Mozambique	**6,108**	6,176	**8**	8	**5%**	5%
	69,944	69,543				

Growing cane

The following assumptions were used in the determination of the estimated sucrose tonnage at 12 September 2015:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	5,277	19,611	16,671	8,647	9,576	5,907
Estimated yield (tonnes cane/hectare)	66.3	101.3	114.6	94.0	81.0	85.8
Average maturity of cane	45.1%	68.5%	65.7%	67.7%	46.2%	71.6%

The following assumptions were used in the determination of the estimated sucrose tonnage at 13 September 2014:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	4,499	19,401	16,686	8,383	9,676	5,966
Estimated yield (tonnes cane/hectare)	69.5	106.1	118.8	97.2	84.2	87.5
Average maturity of cane	57.0%	66.7%	67.3%	66.7%	50.0%	66.7%

Sensitivities

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

	2015		2014	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Inflation rate (cane roots)	**0.7**	**(0.7)**	0.7	(0.7)
Estimated sucrose content (growing cane)	**1.0**	**(1.0)**	1.1	(1.1)
Estimated sucrose price (growing cane)	**1.4**	**(1.4)**	1.4	(1.4)

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11. Investments in joint ventures and associates

	Joint ventures £m	Associates £m
At 14 September 2013	182	36
Acquisitions	5	–
Disposals	–	(2)
Profit for the period	8	5
Dividends received	(13)	(4)
Effect of movements in foreign exchange	(2)	(3)
At 13 September 2014	180	32
Transfer to subsidiary	4	–
Profit for the period	44	4
Dividends received	(47)	(3)
Effect of movements in foreign exchange	(1)	(1)
At 12 September 2015	**180**	**32**

Details of joint ventures and associates are listed in note 28.

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Non-current assets	**75**	230	**15**	16
Current assets	**296**	301	**157**	128
Current liabilities	**(166)**	(198)	**(139)**	(111)
Non-current liabilities	**(42)**	(170)	**(2)**	(2)
Goodwill	**17**	17	**1**	1
Net assets	**180**	180	**32**	32
Revenue	**1,245**	1,260	**74**	81
Profit for the period	**44**	8	**4**	5

12. 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, 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 92% (2014 – 91%) of the group's defined benefit scheme assets and 89% (2014 – 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 2014, using the current unit method, and revealed a surplus of £79m. The market value of Scheme assets was £3,085m, representing 103% 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 31% of inflation sensitivity and 24% 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 the equity of the Company, although it is possible that the Scheme may hold indirect interests through investments in some equity funds. The Scheme owns the freehold of an office building in London which is leased to the group at an open market rent. The fair value of this building is £7m (2014 – £6m).

12. Employee entitlements continued

Overseas defined benefit schemes

The group also operates defined benefit retirement 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 £36m in the UK and £40m overseas, totalling £76m (2014 – UK £38m, overseas £38m, total £76m).

Actuarial assumptions

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

	2015 UK %	**2015 Overseas %**	2014 UK %	2014 Overseas %
Discount rate	**3.8**	**0.9 – 16.3**	4.1	1.5 – 15.7
Inflation	**3.3**	**0 – 7.4**	3.4	0.8 – 9.2
Rate of increase in salaries	**3.8**	**0 – 12.0**	3.9	0.5 – 10.7
Rate of increase for pensions in payment	**3.1**	**0 – 4.5**	3.2	1.2 – 6.3
Rate of increase for pensions in deferment (where provided)	**2.8**	**0 – 2.0**	2.9	1.2 – 6.3

The mortality assumptions used to value the UK defined benefit schemes in both years are derived from the S2 mortality tables with improvements in line with the 2013 projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with no rating for males and a +0.7-year rating down for females, both with a long-term trend of 1.5%. These mortality assumptions take account of experience to date, and assumptions for further improvements in life expectancy of scheme members. Examples of the resulting life expectancies in the UK defined benefit schemes are as follows:

	2015		2014	
Life expectancy from age 65 (in years)	**Male**	**Female**	Male	Female
Member aged 65 in 2015 (2014)	**22.7**	**25.4**	22.7	25.2
Member aged 65 in 2035 (2034)	**25.0**	**27.7**	24.8	27.6

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 the 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 12 September 2015 is:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.5%	increase/decrease by 9.2%
Inflation	increase/decrease by 0.5%	increase/decrease by 8.2%
Rate of increase in salaries	increase/decrease by 0.5%	increase/decrease by 1.8%
Rate of mortality	reduce by one year	increase by 3.1%

A sensitivity to the rate of increase in pensions in payment and pensions in 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 reasonably 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.

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12. Employee entitlements continued

Balance sheet

	2015 UK £m	2015 Overseas £m	2015 Total £m	2014 UK £m	2014 Overseas £m	2014 Total £m
Equities	**1,213**	**127**	**1,340**	1,243	146	1,389
Government bonds	**669**	**36**	**705**	543	41	584
Corporate and other bonds	**627**	**56**	**683**	628	55	683
Property	**259**	**10**	**269**	229	6	235
Cash and other assets	**575**	**62**	**637**	535	59	594
Scheme assets	**3,343**	**291**	**3,634**	3,178	307	3,485
Scheme liabilities	**(3,253)**	**(391)**	**(3,644)**	(3,120)	(396)	(3,516)
Aggregate net deficit	**90**	**(100)**	**(10)**	58	(89)	(31)
Irrecoverable surplus (a)	**–**	**(6)**	**(6)**	–	(12)	(12)
Net pension asset/(liability)	**90**	**(106)**	**(16)**	58	(101)	(43)
Analysed as						
Schemes in surplus	**120**	**5**	**125**	87	3	90
Schemes in deficit	**(30)**	**(111)**	**(141)**	(29)	(104)	(133)
	90	**(106)**	**(16)**	58	(101)	(43)
Unfunded liability included in the present value of scheme liabilities above	**(30)**	**(43)**	**(73)**	(29)	(48)	(77)

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

Corporate and other bonds relating to UK schemes of £627m includes £49m (2014 – £46m) 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 a 31 March market valuation, adjusted for purchases, disposals and price indexation between the valuation and the balance sheet dates. Cash and other assets contains £185m (2014 – £127m) 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 28% (2014 – 33%) in respect of active participants, 23% (2014 – 20%) for deferred participants and 49% (2014 – 47%) for pensioners.

The weighted average duration of the defined benefit scheme liabilities at the end of the year is 18 years (UK schemes – 18 years and overseas schemes – 18 years).

Income statement

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

	2015 £m	2014 £m
Charged to operating profit:		
Defined benefit schemes		
Current service cost	**(48)**	(48)
Past service cost	**(2)**	(1)
Gain on settlements	**3**	–
Defined contribution schemes	**(76)**	(76)
Total operating cost	**(123)**	(125)
Reported in other financial expense:		
Net interest income on the net pension asset/(liability)	**1**	–
Interest charge on irrecoverable surplus	**(1)**	–
Net impact on profit before tax	**(123)**	(125)

12. Employee entitlements continued

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded schemes of £39m (2014 – £41m) and benefits paid in respect of unfunded schemes of £nil (2014 – £nil). Contributions to funded defined benefit schemes are subject to periodic review. Contributions to defined contribution schemes amounted to £76m (2014 – £76m).

Total contributions to funded schemes and benefit payments by the group in respect of unfunded schemes in 2016 are currently expected to be approximately £28m in the UK and £9m overseas, totalling £37m (2015 – UK £29m, overseas £8m, totalling £37m).

Other comprehensive income

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

	2015 £m	2014 £m
Return on scheme assets excluding amounts included in net interest in the income statement	**118**	211
Actuarial gains/(losses) arising from changes in financial assumptions	**(151)**	(262)
Actuarial gains/(losses) arising from changes in demographic assumptions	**(6)**	5
Experience gains/(losses) on scheme liabilities	**60**	21
Change in unrecognised surplus	**6**	–
Remeasurements of the net pension asset/(liability)	**27**	(25)

Reconciliation of change in assets and liabilities

	2015 assets £m	2014 assets £m	**2015 liabilities £m**	2014 liabilities £m	**2015 net £m**	2014 net £m
At beginning of year	**3,485**	3,233	**(3,516)**	(3,236)	**(31)**	(3)
Current service cost	**–**	–	**(48)**	(48)	**(48)**	(48)
Employee contributions	**10**	10	**(10)**	(10)	**–**	–
Employer contributions	**39**	41	**–**	–	**39**	41
Benefit payments	**(135)**	(138)	**135**	138	**–**	–
Settlements	**(6)**	(2)	**9**	2	**3**	–
Past service cost	**–**	–	**(2)**	(1)	**(2)**	(1)
Interest income/(expense)	**140**	148	**(139)**	(148)	**1**	–
Return on scheme assets less interest income	**118**	211	**–**	–	**118**	211
Actuarial gains/(losses) arising from changes in financial assumptions	**–**	–	**(151)**	(262)	**(151)**	(262)
Actuarial gains/(losses) arising from changes in demographic assumptions	**–**	–	**(6)**	5	**(6)**	5
Experience gains/(losses) on scheme liabilities	**–**	–	**60**	21	**60**	21
Acquisitions	**–**	–	**–**	(1)	**–**	(1)
Effect of movements in foreign exchange	**(17)**	(18)	**24**	24	**7**	6
At end of year	**3,634**	3,485	**(3,644)**	(3,516)	**(10)**	(31)

Reconciliation of change in irrecoverable surplus

	2015 £m	2014 £m
At beginning of year	**(12)**	(12)
Change recognised in other comprehensive income	**6**	–
Interest charge on irrecoverable surplus	**(1)**	–
Effect of movements in foreign exchange	**1**	–
At end of year	**(6)**	(12)

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13. 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 14 September 2013	144	92	(8)	(2)	13	(81)	158
Amount charged/(credited) to the income statement	(6)	(6)	(5)	–	(42)	6	(53)
Amount charged/(credited) to other comprehensive income	–	–	(3)	11	–	–	8
Acquired through business combinations	–	1	–	–	–	–	1
Effect of changes in tax rates on income statement	5	–	–	–	1	(2)	4
Effect of movements in foreign exchange	(5)	(1)	–	–	(2)	4	(4)
At 13 September 2014	138	86	(16)	9	(30)	(73)	114
Amount charged/(credited) to the income statement	(6)	4	(2)	–	28	6	30
Amount charged/(credited) to other comprehensive income	–	–	5	(11)	(2)	–	(8)
Acquired through business combinations	(42)	4	–	–	–	–	(38)
Businesses disposed	–	–	–	–	–	5	5
Effect of changes in tax rates on income statement	(1)	–	–	–	5	1	5
Effect of movements in foreign exchange	(9)	1	2	–	(4)	10	–
At 12 September 2015	**80**	**95**	**(11)**	**(2)**	**(3)**	**(51)**	**108**

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

	2015 £m	2014 £m
Deferred tax assets	**(125)**	(152)
Deferred tax liabilities	**233**	266
	108	114

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. Other deferred tax assets totalling £86m (2014 – £88m) have not been recognised on the basis that their future economic benefit is uncertain.

In addition, there are temporary differences of £1,992m (2014 – £2,122m) 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.

14. Trade and other receivables

	2015 £m	2014 £m
Non-current – other receivables		
Loans and receivables	**19**	160
Other non-current investments	**4**	4
	23	164
Current – trade and other receivables		
Trade receivables	**898**	973
Other receivables	**110**	122
Accrued income	**12**	31
	1,020	1,126
Prepayments and other non-financial receivables	**156**	167
	1,176	1,293

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 24.

Trade and other receivables include £19m (2014 – £14m) in respect of finance lease receivables, with £16m in non-current loans and receivables and £3m in current other receivables (2014 – £11m in non-current loans and receivables and £3m in current other receivables). Minimum lease payments receivable are £3m within one year and £16m between one and five years (2014 – £3m within one year, £11m between one and five years).

The finance lease receivables relate to property, plant and equipment leased to a joint venture of the group (see note 27).

15. Inventories

	2015 £m	2014 £m
Raw materials and consumables	**283**	334
Work in progress	**28**	23
Finished goods and goods held for resale	**1,516**	1,274
	1,827	1,631
Write down of inventories	**(102)**	(78)

16. Cash and cash equivalents

	Note	2015 £m	2014 £m
Cash			
Cash at bank and in hand		**286**	231
Cash equivalents		**416**	288
Cash and cash equivalents	24	**702**	519
Reconciliation to the cash flow statement			
Bank overdrafts	17	**(117)**	(120)
Cash and cash equivalents in the cash flow statement		**585**	399

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

Cash equivalents generally comprise:

(i) deposits placed on money markets for periods up to three months which earn interest at a short-term deposit rate; and

(ii) funds invested with fund managers that have a maturity of less than or equal to three months and are at fixed rates.

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

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17. Loans and overdrafts

	Note	2015 £m	2014 £m
Current loans and overdrafts			
Secured loans		**28**	2
Unsecured loans and overdrafts		**291**	356
		319	358
Non-current loans			
Secured loans		**23**	14
Unsecured loans		**542**	581
Finance leases	25	**12**	12
		577	607
	24	**896**	965

	Note	2015 £m	2014 £m
Secured loans			
– USD floating rate		**19**	–
– EUR floating rate		**3**	–
– Other floating rate		**27**	16
– Other fixed rate		**2**	–
Unsecured loans and overdrafts			
– Bank overdrafts	16	**117**	120
– GBP floating rate		**4**	113
– GBP fixed rate		**177**	159
– USD floating rate		**18**	29
– USD fixed rate		**444**	421
– EUR floating rate		**29**	29
– RMB floating rate		**35**	58
– Other floating rate		**8**	7
– Other fixed rate		**1**	1
Finance leases (fixed rate)		**12**	12
		896	965

Secured 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.

18. Trade and other payables

	2015 £m	2014 £m
Trade payables	**1,029**	910
Accruals	**901**	883
	1,930	1,793
Deferred income and other non-financial payables	**296**	253
	2,226	2,046

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

19. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 13 September 2014	61	2	38	101
Created	8	6	6	20
Utilised	(22)	(1)	(7)	(30)
Released	(5)	–	(17)	(22)
Effect of movements in foreign exchange	(1)	–	(2)	(3)
At 12 September 2015	**41**	**7**	**18**	**66**
Current	26	2	10	38
Non-current	15	5	8	28
	41	**7**	**18**	**66**

Financial liabilities within provisions comprised deferred consideration in both years (see note 24).

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 the warranties.

20. Share capital and reserves

Share capital
At 13 September 2014 and 12 September 2015, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p, each carrying one vote per share. Total nominal value was £45m.

Other reserves
£173m of other reserves arose from the cancellation of share premium account by the Company in 1993. The remaining £2m arose in 2010 as a transfer to capital redemption reserve following redemption of two million £1 deferred shares at par. Both are non-distributable.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the group's net investment in foreign subsidiaries.

Hedging reserve
The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

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21. Acquisitions and disposals
Acquisitions
2015

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

	Pre-acquisition carrying values £m	Recognised values on acquisition £m
Net assets		
Intangible assets	32	53
Property, plant and equipment	4	4
Inventories	10	10
Trade and other receivables	18	18
Cash and cash equivalents	8	8
Trade and other payables	(38)	(40)
Loan interest	(48)	(3)
Overdrafts	(3)	(3)
Loans	(323)	(18)
Taxation	82	20
Net identifiable assets and liabilities	(258)	49
Goodwill		5
Non-controlling interests		1
Total consideration		55
Satisfied by		
Cash consideration		57
Deferred consideration		6
Interest in joint venture		(8)
		55
Net cash		
Cash consideration		57
Cash and cash equivalents acquired		(8)
Overdrafts acquired		3
		52

In October 2014, the group acquired Dorset Cereals in the UK for gross cash consideration of £68m, but with cash acquired of £8m. Non-operating intangible assets of £21m in respect of brand and customer relationships together with the related deferred tax were recognised as fair value adjustments.

In May 2015, the group acquired BP's 47% interest in Vivergo Fuels in the UK, in which the group already held an equity-accounted joint venture interest of 47%. Fair value adjustments comprised the valuation of shareholder loan obligations and associated interest accruals together with the related tax consequences.

A non-cash charge of £75m was recorded in line with accounting requirements to remeasure the group's interest at fair value prior to the acquisition. This was charged to loss on sale and closure of business.

The acquisitions contributed aggregate revenues of £81m and an adjusted loss before tax of £1m for the period between the dates of acquisition and 12 September 2015. Aggregate contributions to revenue and adjusted profit before tax had the acquisitions occurred at the beginning of the period have not been disclosed, as appropriate financial information prepared under Adopted IFRS is not available.

2014

During 2014, the group acquired a bakery ingredients business in western Europe and a small animal feed specialist in the UK, which together increased net assets by £8m, satisfied by cash consideration of £7m and deferred consideration of £1m. Cash and cash equivalents of £5m were acquired with the businesses.

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from a £4m non-operating intangible asset recognised in respect of customer relationships. The acquisitions contributed aggregate revenues of £27m and adjusted profit before tax of £1m for the period between the dates of acquisition and 13 September 2014. Aggregate contributions to revenue and adjusted profit before tax had the acquisitions occurred at the beginning of the period were not disclosed, as appropriate financial information prepared under Adopted IFRS was not available.

21. Acquisitions and disposals continued

The cash consideration net of cash acquired with the businesses was £2m which compares with a cash outflow of £8m on the purchase of subsidiaries, joint ventures and associates shown in the cash flow statement. The difference related to a £5m investment in an existing joint venture and £1m of deferred consideration paid in respect of prior year acquisitions.

Disposals

2015

The group sold and closed businesses which had the following impact on adjusted operating profit by segment:

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Sugar					
– North China	–	–	–	(100)	(100)
– Vivergo Fuels	(75)	–	–	–	(75)
– Other (including warranties)	–	4	(11)	1	(6)
	(75)	4	(11)	(99)	(181)
Grocery (warranties)	6	–	–	–	6
Agriculture (warranties)	3	–	–	–	3
	(66)	4	(11)	(99)	(172)

The group sold the Yi'an and BoCheng beet sugar factories in Heilongjiang province in north China and restructured the associated head office in Beijing. This reduced the group's assets and liabilities as follows:

	£m
Net assets	
Intangible assets	9
Property, plant and equipment	47
Inventories	3
Trade and other payables	(1)
Loans	(1)
Taxation	5
Net identifiable assets and liabilities	62
Goodwill	46
Non-controlling interests	(2)
Recycle of effect of movements in foreign exchange	(8)
Profits less losses on sale and closure of businesses	(100)
Total consideration	(2)
Satisfied by	
Cash consideration	3
Provisions made	(5)
	(2)
Net cash	
Cash consideration	3

The group incurred a net £75m non-cash charge arising on the acquisition of BP's 47% interest in Vivergo Fuels. Accounting standards require the remeasurement of the group's interest at fair value prior to the acquisition, resulting in a loss on the deemed disposal of the group's original interest prior to its immediate re-acquisition at fair value.

Also in the Sugar segment, an intangible asset with a carrying value of £11m was written off on closure of a small business in North America.

£14m of warranty provisions relating to disposals made in previous years are no longer required and were released during the year. These comprised £6m in Grocery (all in the UK), £5m in Sugar (£4m in Europe & Africa and £1m in Asia Pacific) and £3m in Agriculture (all in the UK).

The cash consideration received for the disposal was £3m which compares with a cash inflow of £5m on the sale of subsidiaries, joint ventures and associates shown in the cash flow statement. The difference relates to deferred consideration received in respect of prior year disposals.

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21. Acquisitions and disposals continued

2014

During 2014, the group disposed of its interest in a US associate in the Ingredients segment for a profit of £7m. Cash consideration was £12m, deferred consideration was £1m, share of net assets disposed was £2m and provisions made were £4m. In addition, a charge of £9m was made in the Ingredients segment in China and India for restructuring costs associated with business closures, including a £4m impairment of goodwill.

The net cash of £13m differs from the cash inflow of £15m on the sale of subsidiaries, joint ventures and associates shown in the cash flow statement. The £2m difference relates to deferred consideration received in respect of disposals made in previous years.

22. Share-based payments

The group had the following principal 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 are released if, and to the extent that, performance targets are satisfied, typically over a three-year performance period. The Share Incentive Plan expired in December 2013, with the last grant of allocations made in November 2013. Conditional shares allocated under the Share Incentive Plan will vest under the terms of that plan.

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 are 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 on pages 74 to 89.

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

	Balance outstanding at the beginning of the year	Granted/ awarded	Vested	Expired/ lapsed	Balance outstanding at the end of the year
2015	4,365,341	911,832	(1,572,229)	(374,588)	3,330,356
2014	5,013,465	1,177,056	(932,626)	(892,554)	4,365,341

Employee Share Ownership Plan Trust

Ordinary shares subject to allocation under the group's equity-settled share-based payment plans are held in a separate Employee Share Ownership Plan Trust. The Trust is funded by the Company. 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 12 September 2015 the Trust held 1,490,218 (2014 – 3,062,447) ordinary shares of the Company. The market value of these shares at the year end was £46m (2014 – £80m). The Trust has waived its right to dividends. Movements in the year were releases of 1,572,229 shares (2014 – releases of 932,626 and purchases of 2,000,000 shares).

Fair values

The weighted average fair value of conditional grants made was determined by taking the market price of the shares at the time of 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 2,873 pence (2014 – 2,226 pence) and the weighted average share price was 3,089 pence (2014 – 2,393 pence). The dividend yield used was 2.5%.

23. Analysis of net debt

	At 13 September 2014 £m	Cash flow £m	Acquisitions and disposals £m	Non-cash items £m	Exchange adjustments £m	**At 12 September 2015 £m**
Cash at bank and in hand, cash equivalents and overdrafts	399	187	–	–	(1)	**585**
Short-term loans	(238)	115	1	(81)	1	**(202)**
Long-term loans	(607)	(15)	(18)	81	(18)	**(577)**
	(446)	287	(17)	–	(18)	**(194)**

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 £117m 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.

24. Financial instruments

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

	2015 £m	2014 £m
Financial assets		
Cash and cash equivalents	**702**	519
Loans and receivables		
Trade and other receivables	**1,020**	1,126
Other non-current receivables (fair value 2015 – £23m; 2014 – £137m)	**23**	164
At fair value through profit or loss		
Derivative assets not designated in a cash flow hedging relationship:		
– currency derivatives	**3**	8
Designated net investment hedging relationships		
Derivative assets designated as net investment hedging instruments:		
– currency derivatives	**33**	2
Designated cash flow hedging relationships		
Derivative assets designated and effective as cash flow hedging instruments:		
– currency derivatives	**37**	50
– commodity derivatives	**1**	14
Total financial assets	**1,819**	1,883
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**(1,930)**	(1,793)
Secured loans	**(51)**	(16)
Unsecured loans and overdrafts (fair value 2015 – £889m; 2014 – £999m)	**(833)**	(937)
Finance leases (fair value 2015 – £17m; 2014 – £17m)	**(12)**	(12)
Deferred consideration	**(7)**	(2)
At fair value through profit or loss		
Derivative liabilities not designated in a cash flow hedging relationship:		
– currency derivatives	**(6)**	(3)
– commodity derivatives	**(1)**	(1)
Designated cash flow hedging relationships		
Derivative liabilities designated and effective as cash flow hedging instruments:		
– currency derivatives	**(19)**	(3)
– commodity derivatives	**(7)**	(8)
Total financial liabilities	**(2,866)**	(2,775)
Net financial liabilities	**(1,047)**	(892)

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

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for the 52 weeks ended 12 September 2015

24. 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
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 held primarily 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. Where shareholdings are held in publicly quoted companies, bid price is used to estimate fair value.
Other non-current receivables Loans and overdrafts Finance leases	Fair values for these level 2 financial instruments have been estimated by discounting expected future cash flows (see below).
Derivatives	Fair values are typically determined either by reference to third-party valuations (usually from a bank), or by reference to readily observable market prices. 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 almost always available to assist with the valuation of derivatives.
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, 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 table 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.

	2015				2014			
	Contractual/ notional amounts £m	**Level 1 £m**	**Level 2 £m**	**Total £m**	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m
Financial assets								
Currency derivatives	**1,311**	**–**	**73**	**73**	1,805	–	60	60
Commodity derivatives	**24**	**1**	**–**	**1**	178	9	5	14
	1,335	**1**	**73**	**74**	1,983	9	65	74
Financial liabilities								
Currency derivatives	**929**	**–**	**(25)**	**(25)**	402	–	(6)	(6)
Commodity derivatives	**108**	**(1)**	**(7)**	**(8)**	113	(2)	(7)	(9)
	1,037	**(1)**	**(32)**	**(33)**	515	(2)	(13)	(15)

24. Financial instruments continued

c) Cash flow hedging reserve

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.

	2015			2014		
	Currency derivatives £m	**Commodity derivatives £m**	**Total £m**	Currency derivatives £m	Commodity derivatives £m	Total £m
Opening balance	**(30)**	**(4)**	**(34)**	16	(6)	10
(Gains)/losses recognised in the hedging reserve	**(174)**	**20**	**(154)**	46	(1)	45
Amount removed from the hedging reserve and included in the income statement:						
– revenue	**39**	**–**	**39**	8	–	8
– cost of sales	**–**	**(16)**	**(16)**	–	(8)	(8)
– other financial income	**13**	**1**	**14**	11	–	11
Amount removed from the hedging reserve and included in a non-financial asset:						
– inventory	**164**	**9**	**173**	(124)	13	(111)
Deferred tax	**(7)**	**(4)**	**(11)**	13	(2)	11
Effect of movements in foreign exchange	**1**	**–**	**1**	–	–	–
Closing balance	**6**	**6**	**12**	(30)	(4)	(34)
Cash flows are expected to occur:						
– within six months	**3**	**5**	**8**	(27)	(4)	(31)
– between six months and one year	**–**	**1**	**1**	(7)	–	(7)
– between one and two years	**1**	**–**	**1**	–	–	–
– between two and five years	**1**	**–**	**1**	1	–	1
– after five years	**1**	**–**	**1**	3	–	3
	6	**6**	**12**	(30)	(4)	(34)

Of the closing balance of £12m, £11m is attributable to equity shareholders and £1m to non-controlling interests (2014 – £(29)m attributable to equity shareholders and £(5)m to non-controlling interests). Of the net movements including foreign exchange in the year of £46m, £40m is attributable to equity shareholders and £6m to non-controlling interests (2014 – £(42)m attributable to equity shareholders and £(2)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.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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24. Financial instruments continued

e) Foreign currency translation

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

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

The group also finances its operations by obtaining funding at group level through external borrowings and, where they are not in sterling, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations.

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.

The group has $280m of borrowings (2014 – $280m) that have been designated as hedges of its net investment in foreign operations in US dollars.

A net foreign exchange loss of £7m (2014 – gain of £29m) on retranslation of these loans has been taken to the translation reserve on consolidation, all of which was 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 £29m has been credited to the translation reserve, all of which was attributable to equity shareholders (2014 – £4m debited to the translation reserve).

f) Market risk

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

(i) Commodity price risk

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

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

Some of the group's commodity derivatives 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. Certain other commodity derivatives are accounted for as cash flow hedges, but some are not eligible for treatment as 'own use' contracts and are not contracts for which the strict requirements of hedge accounting can be satisfied. This occurs typically where the group does not take physical delivery of the commodity concerned. Such commodity derivatives are used only where the business believes they provide an economic hedge of an underlying exposure. These instruments are classified as held for trading and are marked to market through the income statement.

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

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

24. Financial instruments continued

(ii) Interest rate risk

Interest rate risk comprises two primary elements:

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

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

At 12 September 2015, £636m (71%) (2014 – £593m and 61%) of total debt was subject to fixed rates of interest, the majority of which is the US private placement loans of £601m (2014 – £579m).

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 financial 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) on page 132.

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.

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.

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for the 52 weeks ended 12 September 2015

24. Financial instruments continued

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

	2015				
	Sterling £m	**US dollar £m**	**Euro £m**	**Other £m**	**Total £m**
Financial assets					
Cash and cash equivalents	**1**	**19**	**4**	**8**	**32**
Trade and other receivables	**–**	**22**	**50**	**12**	**84**
	1	**41**	**54**	**20**	**116**
Financial liabilities					
Trade and other payables	**(30)**	**(286)**	**(40)**	**(10)**	**(366)**
Unsecured loans and overdrafts	**(8)**	**(444)**	**–**	**(3)**	**(455)**
	(38)	**(730)**	**(40)**	**(13)**	**(821)**
Currency derivatives					
Gross amounts receivable	**73**	**1,207**	**91**	**104**	**1,475**
Gross amounts payable	**(2)**	**(96)**	**(638)**	**(66)**	**(802)**
	71	**1,111**	**(547)**	**38**	**673**
	34	**422**	**(533)**	**45**	**(32)**

	2014				
	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Financial assets					
Cash and cash equivalents	8	12	1	14	35
Trade and other receivables	–	23	52	9	84
	8	35	53	23	119
Financial liabilities					
Trade and other payables	(25)	(186)	(31)	(12)	(254)
Unsecured loans and overdrafts	(9)	(420)	(1)	(1)	(431)
	(34)	(606)	(32)	(13)	(685)
Currency derivatives					
Gross amounts receivable	63	1,377	35	168	1,643
Gross amounts payable	(1)	(126)	(660)	(110)	(897)
	62	1,251	(625)	58	746
	36	680	(604)	68	180

The following major exchange rates applied during the year:

	Average rate		Closing rate	
	2015	2014	**2015**	2014
US dollar	**1.55**	1.66	**1.54**	1.62
Euro	**1.34**	1.22	**1.37**	1.25
Rand	**18.42**	17.43	**20.99**	17.86
Renminbi	**9.62**	10.18	**9.83**	9.96
Australian dollar	**1.96**	1.80	**2.18**	1.80

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 opposite page for a separate sensitivity). This sensitivity is presented before taxation and non-controlling interests.

24. Financial instruments continued

10% strengthening against other currencies of	2015 impact on profit for the year £m	2015 impact on total equity £m	2014 impact on profit for the year £m	2014 impact on total equity £m
Sterling	**(2)**	**3**	(1)	3
US dollar	**17**	**52**	3	74
Euro	**4**	**(60)**	1	(61)
Other	**4**	**7**	1	3

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.

10% strengthening of sterling against	2015 impact on profit for the year £m	2014 impact on profit for the year £m
US dollar	**(10)**	(6)
Euro	**(20)**	(22)
Rand	**2**	(1)
Renminbi	**7**	3
Australian dollar	**(2)**	(2)

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 12 September 2015. The group considers its maximum exposure to credit risk to be:

	2015 £m	2014 £m
Cash and cash equivalents	**702**	519
Loans and receivables (see note 24a)	**1,043**	1,290
Derivative assets at fair value through profit and loss	**3**	8
Derivative assets in designated net investment hedging relationships	**33**	2
Derivative assets in designated cash flow hedging relationships	**38**	64
	1,819	1,883

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.

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for the 52 weeks ended 12 September 2015

24. Financial instruments continued

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

	2015 £m	2014 £m
UK	**385**	415
Europe & Africa	**214**	239
The Americas	**146**	154
Asia Pacific	**275**	318
	1,020	1,126

Trade receivables can be analysed as follows:

	2015 £m	2014 £m
Not overdue	**778**	826
Up to 1 month past due	**88**	125
Between 1 and 2 months past due	**23**	21
Between 2 and 3 months past due	**7**	8
More than 3 months past due	**24**	29
Provision for doubtful debts	**(22)**	(36)
	898	973

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

Trade receivables are stated net of the following provision for irrecoverable amounts:

	2015 £m	2014 £m
Opening balance	**36**	35
Amounts provided for during the year	**6**	5
Amounts released during the year	**(13)**	(4)
Amounts utilised during the year	**(4)**	(3)
Acquisitions/disposals	**–**	4
Effect of movements in foreign exchange	**(3)**	(1)
Closing balance	**22**	36

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

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 or 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.

A £98m impairment charge was recorded in the year against the group's shareholder loans to Vivergo Fuels which, at the time of the impairment, was a joint venture in which the group's equity interest was 47%. When the group subsequently acquired a further 47% of Vivergo Fuels for a controlling interest, the non-cash charge of £75m included remeasurement to £nil of the remaining £55m of shareholder loans and £20m of accrued interest (within current trade and other receivables).

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 or net investment hedging reserve, no impairment issues have been identified.

24. Financial instruments continued

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) on page 138.

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

		2015						
	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
Non-derivative financial liabilities								
Trade and other payables	18	**(1,914)**	**(16)**	**–**	**–**	**–**	**(1,930)**	**(1,930)**
Secured loans	17	**(7)**	**(21)**	**(7)**	**(16)**	**–**	**(51)**	**(51)**
Unsecured loans and overdrafts	17	**(208)**	**(111)**	**(40)**	**(264)**	**(345)**	**(968)**	**(833)**
Finance leases	25	**(1)**	**–**	**(1)**	**(2)**	**(37)**	**(41)**	**(12)**
Deferred consideration	19	**(1)**	**(1)**	**(1)**	**(4)**	**–**	**(7)**	**(7)**
Derivative financial liabilities								
– Currency derivatives (net payments)		**(7)**	**(3)**	**–**	**–**	**–**	**(10)**	**(25)**
– Commodity derivatives (net payments)		**(30)**	**(14)**	**(2)**	**–**	**–**	**(46)**	**(8)**
Total financial liabilities		**(2,168)**	**(166)**	**(51)**	**(286)**	**(382)**	**(3,053)**	**(2,866)**

		2014						
	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
Non-derivative financial liabilities								
Trade and other payables	18	(1,784)	(9)	–	–	–	(1,793)	(1,793)
Secured loans	17	(2)	–	(2)	(12)	–	(16)	(16)
Unsecured loans and overdrafts	17	(360)	(29)	(103)	(280)	(333)	(1,105)	(937)
Finance leases	25	(1)	–	(1)	(2)	(38)	(42)	(12)
Deferred consideration	19	(1)	–	(1)	–	–	(2)	(2)
Derivative financial liabilities								
– Currency derivatives (net payments)		(5)	(1)	–	–	–	(6)	(6)
– Commodity derivatives (net payments)		(32)	(8)	(1)	–	–	(41)	(9)
Total financial liabilities		(2,185)	(47)	(108)	(294)	(371)	(3,005)	(2,775)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 12 September 2015.

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.

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for the 52 weeks ended 12 September 2015

24. Financial instruments continued

i) Borrowing facilities

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 12 September 2015, in respect of which all conditions precedent have been met, amounted to £1,380m (2014 – £1,406m):

	2015			2014		
	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 placement	**601**	**601**	**–**	579	579	–
European Investment Bank	**–**	**–**	**–**	120	120	–
Illovo	**187**	**84**	**103**	198	93	105
Azucarera	**102**	**29**	**73**	130	29	101
Other	**18**	**14**	**4**	–	–	–
	2,108	**728**	**1,380**	2,227	821	1,406

Uncommitted facilities available at 12 September 2015 were:

	2015			2014		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Money market lines	**100**	**–**	**100**	100	–	100
Illovo	**105**	**75**	**30**	65	41	24
China banking	**353**	**35**	**318**	362	57	305
Other	**141**	**46**	**95**	117	34	83
	699	**156**	**543**	644	132	512

In addition to the above facilities there are also £212m (2014 – £225m) 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 £12m (2014 – £12m) 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 17.

The group has a £1.2bn syndicated facility which matures in July 2020 with an option to extend by a further year. In addition to the bank debt, the Company has £601m of private placement notes in issue to institutional investors in the US and Europe. At 12 September 2015, these had an average remaining duration of 4.7 years and an average fixed coupon of 5.1%. The other significant core committed debt facilities comprise local committed facilities in Illovo and Azucarera.

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

Refer to note 9 for details of the group's capital commitments and to note 26 for a summary of the group's guarantees. An assessment of the group's current liquidity position is given in the Financial review on page 47.

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 17 provides details of 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 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 the Company'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.

25. Lease commitments

Operating leases

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

Rental receipts of £10m (2014 – £8m) 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 £53m (2014 – £61m).

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

25. Lease commitments continued

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

	2015 land and buildings £m	2015 plant and equipment £m	2015 total £m	2014 land and buildings £m	2014 plant and equipment £m	2014 total £m
Within one year	**203**	**11**	**214**	189	11	200
Between one and five years	**816**	**17**	**833**	780	26	806
After five years	**2,492**	**–**	**2,492**	2,342	2	2,344
	3,511	**28**	**3,539**	3,311	39	3,350

Finance leases

Finance lease liabilities are payable as follows:

	2015 minimum lease payments £m	2015 interest £m	2015 principal £m	2014 minimum lease payments £m	2014 interest £m	2014 principal £m
Within one year	**1**	**1**	**–**	1	1	–
Between one and five years	**3**	**2**	**1**	3	2	1
After five years	**37**	**26**	**11**	38	27	11
	41	**29**	**12**	42	30	12

26. Contingencies

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

The group has adopted the amendments to IAS 39 in relation to financial guarantee contracts which apply for periods commencing on or after 1 January 2006. 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 12 September 2015, group companies have provided guarantees in the ordinary course of business amounting to £1,397m (2014 – £916m).

27. Related parties

The group has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 28. The group has a related party relationship with its associates and joint ventures (see note 28) and with its directors. In the course of normal operations, related party transactions entered into by the group have been contracted on an arm's length basis.

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

	Sub note	2015 £000	2014 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**661**	403
Dividends paid by Associated British Foods and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation and their close family	1	**9,838**	9,125
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation and their close family		**1,529**	1,442
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	2	**50**	43
(iv) members of the Weston family employed within the Associated British Foods group	3	**1,011**	952
Sales to fellow subsidiary undertakings on normal trading terms	4	**108**	93
Sales to companies with common key management personnel on normal trading terms	5	**13,343**	12,459
Commissions paid to companies with common key management personnel on normal trading terms	5	**1,602**	1,418
Amounts due from companies with common key management personnel	5	**1,541**	1,456
Sales to joint ventures on normal trading terms		**18,288**	21,337
Sales to associates on normal trading terms		**29,992**	30,248
Purchases from joint ventures on normal trading terms		**314,818**	372,496
Purchases from associates on normal trading terms		**16,132**	16,266
Amounts due from joint ventures		**18,959**	182,254
Amounts due from associates		**2,978**	3,274
Amounts due to joint ventures		**28,533**	33,095
Amounts due to associates		**2,278**	6,640

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27. Related parties continued

1. The Garfield Weston Foundation ('the Foundation') is an English charitable trust, established in 1958 by the late W Garfield Weston. The Foundation has no direct interest in the Company, but as at 12 September 2015 was the beneficial owner of 683,073 shares (2014 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2014 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 12 September 2015 trustees of the Foundation comprised two children and two grandchildren of the late W Garfield Weston and five children of the late Garry H Weston.
2. Details of the directors are given on pages 60 and 61. Their interests, including family interests, in the Company and its subsidiary undertakings are given on pages 85 and 86. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration report on page 83.
3. Members of the Weston family who are employed by the group and are not directors of the Company or Wittington Investments Limited and are not trustees of the Foundation.
4. The fellow subsidiary undertakings are Fortnum and Mason plc and Heal & Son Limited.
5. The companies with common key management personnel are the George Weston Limited group, in Canada, and Selfridges & Co. Limited.

Amounts due from joint ventures comprise £19m (2014 – £14m) of finance lease receivables (see note 14) and £nil (2014 – £145m) of loan receivables. The remainder of the balance is trading balances. The loan receivables in 2014 were all non-current, and all but £3m (2014 – £3m) of the finance lease receivables are non-current.

28. Group entities

Control of the group

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited ('Wittington'), the accounts of which are available at Companies House, Crown Way, Cardiff CF14 3UZ. It is the ultimate holding company, is incorporated in Great Britain and is registered in England.

At 12 September 2015 Wittington, together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2014 – 431,515,108) representing in aggregate 54.5% (2014 – 54.5%) of the total issued ordinary share capital of Associated British Foods plc.

Wittington, and, through their control of Wittington, the trustees of the Garfield Weston Foundation ('the Foundation') are controlling shareholders of the Company. Certain other individuals, including certain members of the Weston family who hold shares in the Company (and including two of the Company's directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of the Company. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of the Company and, at 12 September 2015, have a combined interest in approximately 59.06% of the Company's voting rights. Information on the relationship agreement between the Company and its controlling shareholders is set out on page 91 of the Directors' report.

Subsidiary undertakings

A list of the group's subsidiaries as at 12 September 2015 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. Shares in ABF Investments plc are held directly by Associated British Foods plc. All other holdings in subsidiaries are owned by members of the Associated British Foods plc group. All subsidiaries are consolidated in the group's financial statements.

Name	Country	% effective holding if not 100%
A.B. Exploration Limited	United Kingdom	
A.B.F. Holdings Limited	United Kingdom	
A.B.F. Nominees Limited	United Kingdom	
A.B.F. Properties Limited	United Kingdom	
AB (Harbin) Food Ingredients Company Limited	China	
AB Agri Animal Nutrition (Jilin) Co., Ltd	China	
AB Agri Animal Nutrition (Nantong) Co., Ltd	China	
AB Agri Limited	United Kingdom	
AB Agri, LLC (in liquidation)	Russian Federation	
AB Azucarera Iberia, S.L. Sociedad Unipersonal	Spain	
AB Bio-Tech (Harbin) Company Limited (in liquidation)	China	
AB Brasil Indústria e Comércio de Alimentos Ltda	Brazil	
AB Calsa S.A.	Ecuador	
AB CALSA S.A. de C.V.	Mexico	
AB CALSA SERVICIOS, S. DE R.L. DE C.V.	Mexico	
AB Enzimas Brasil Comercial Ltda	Brazil	
AB Enzymes GmbH	Germany	
AB Enzymes Oy	Finland	
AB Enzymes Trading (Shanghai) Co., Ltd	China	
AB Food & Beverages (Thailand) Ltd.	Thailand	
AB Food & Beverages Australia Pty. Limited	Australia	
AB Food & Beverages Philippines, Inc.	Philippines	99

28. Group entities continued

Name	Country	% effective holding if not 100%
AB Food and Beverages Taiwan, Inc.	Taiwan	
AB Foods Australia Limited	United Kingdom	
AB Foods Luxembourg S.a r.l. (in liquidation)	Luxembourg	
AB Foods Polska Spólka z ograniczona odpowiedzialnoscia (AB Foods Polska SP. z o.o.)	Poland	
AB Ingredients Limited	United Kingdom	
AB Mauri (Beijing) Food Sales and Marketing Company Limited	China	
AB Mauri (Canada) Limited	Canada	
AB Mauri (UK) Limited	United Kingdom	
AB Mauri Belgium NV	Belgium	
AB Mauri Camellia Pty Limited	Australia	
AB Mauri Europe Limited	United Kingdom	
AB Mauri Food Inc.	United States	
AB Mauri Food, S.A	Spain	
AB Mauri Foods (Shanghai) Company Limited	China	90
AB Mauri France SAS	France	
AB Mauri Hispanoamerica S.A.	Argentina	
AB Mauri India (Private) Limited	India	
AB Mauri Investments (Asia) Pte Ltd	Singapore	
AB Mauri Italy S.p.A.	Italy	
AB Mauri Lanka (Private) Limited	Sri Lanka	
AB Mauri Malaysia Sdn. Bhd.	Malaysia	52
AB Mauri Middle East FZE	United Arab Emirates	
AB Mauri Netherlands B.V.	Netherlands	
AB Mauri Netherlands European Holdings B.V.	Netherlands	
AB Mauri Overseas Holdings Limited	Australia	
AB Mauri Pakistan (PRIVATE) Limited	Pakistan	60
AB Mauri Pakistan Pty Limited	Australia	
AB Mauri Philippines, Inc.	Philippines	
AB Mauri Portugal, S.A.	Portugal	96
AB Mauri Properties Pty Limited	Australia	
AB Mauri ROW Holdings Pty Limited	Australia	
AB Mauri Spain, S.L.U.	Spain	
AB Mauri South America Pty Limited	Australia	
AB Mauri South West Asia Pty Limited	Australia	
AB Mauri Technology & Development Pty Limited	Australia	
AB Mauri Technology Pty Limited	Australia	
AB Mauri Vietnam Limited	Vietnam	66
AB Sugar China Holdings Limited	United Kingdom	
AB Sugar China Limited	United Kingdom	
AB Sugar Limited	United Kingdom	
AB Technology Limited	United Kingdom	
AB Tip Top (Wuhan) Baking Co Ltd	China	
AB Vista Asia Pte. Limited	Singapore	
AB Vista Brasil Comércio De Alimentação Animal Ltda	Brazil	
AB Vista Iberia, S.L.	Spain	
AB Vista, Inc.	United States	

Name	Country	% effective holding if not 100%
AB World Foods (Holdings) Limited	United Kingdom	
AB World Foods Asia Ltd	Thailand	
AB World Foods Limited	United Kingdom	
AB World Foods Pty Ltd	Australia	
Abdale Finance Limited	Ireland	
ABF (No. 1) Limited	United Kingdom	
ABF (No. 2) Limited	United Kingdom	
ABF (No. 3) Limited	United Kingdom	
ABF Australia Finance Pty Ltd	Australia	
ABF Australia Investments Pty Ltd	Australia	
ABF Colón Park, S.L.U.	Spain	
ABF Deutschland Holdings GmbH	Germany	
ABF Europe Finance Limited	United Kingdom	
ABF European Holdings & Co SNC	Luxembourg	
ABF European Holdings Limited	United Kingdom	
ABF Finance Limited	United Kingdom	
ABF Funding	United Kingdom	
ABF Grain Products Limited	United Kingdom	
ABF Green Park Limited	United Kingdom	
ABF Grocery Limited	United Kingdom	
ABF HK Finance Limited	United Kingdom	
ABF Holdings (Thailand) Ltd.	Thailand	
ABF Ingredients Limited	United Kingdom	
ABF Investments plc	United Kingdom	
ABF Italy Holdings S.r.l.	Italy	
ABF Japan Limited	United Kingdom	
ABF MXN Finance Limited	United Kingdom	
ABF North America Corp.	United States	
ABF North America Holdings, Inc.	United States	
ABF Overseas Limited	United Kingdom	
ABF Overseas Limited, Sucursal en España	Spain	
ABF Twinings Beverages (Shanghai) Limited	China	
ABF UK Finance Limited	United Kingdom	
ABF US Finance Limited	United Kingdom	
ABF US Holdings Limited	United Kingdom	
ABF US Investments Limited	United Kingdom	
ABF Victoria Park	United Kingdom	
ABF Wynyard Park Limited Partnership	Australia	
Abitec Corporation	United States	
ABN (Overseas) Limited	United Kingdom	
ABN (Scotland) Limited	United Kingdom	
ABNA (Shanghai) Feed Co., Ltd.	China	
ABNA (Tianjin) Feed Co, Ltd	China	
ABNA Feed (Liaoning) Co., Ltd.	China	
ABNA Feed Company Limited	United Kingdom	
ABNA Limited	United Kingdom	
ABNA Management (Shanghai) Co., Ltd.	China	
ABNA Trading (Shanghai) Co., Ltd	China	
ACH Food Companies of Puerto Rico, Inc.	Puerto Rico	
ACH Food Companies, Inc.	United States	
ACH Foods Mexico, S. de R.L. de C.V.	Mexico	
ACH Jupiter LLC	United States	
Agriguard Company, L. L. C.	United States	36
Agrilines Limited	United Kingdom	
Agroteo S.A.	Spain	51
Alimentos Fleischmann, C.A.,	Venezuela	

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28. Group entities continued

Name	Country	% effective holding if not 100%
Allied Bakeries Limited	United Kingdom	
Allied Foods (NZ) Ltd	New Zealand	
Allied Grain (Scotland) Limited	United Kingdom	
Allied Grain (South) Limited	United Kingdom	
Allied Grain (Southern) Limited	United Kingdom	
Allied Grain Limited	United Kingdom	
Allied Mills Limited	United Kingdom	
Allied Technical Centre Limited	United Kingdom	
Allinson Limited	United Kingdom	
Alternative Swine Nutrition, S.L.	Spain	
Anzchem NZ Limited	New Zealand	
Anzchem Pty Limited	Australia	
Associated British Foods Asia Pacific Holdings Limited	Hong Kong	
Associated British Foods Holdings (China) Co., Ltd	China	
Associated British Foods Pension Trustees Limited	United Kingdom	
Atrium 100 Properties Limited	United Kingdom	
Atrium 100 Stores Holdings Limited	United Kingdom	
Atrium 100 Stores Limited	United Kingdom	
B.E. International Foods Limited	United Kingdom	
B.V. ABF Delaware, Inc (USA)	United States	
Banbury Agriculture Limited	United Kingdom	
Bar Circle Ranch Limited	Swaziland	31
Beauvallet Investments Limited (dissolved 28 September 2015)	Jersey	
Bo Tian Sugar Industry Co., Ltd.	China	
Botian Sugar (Chayou Qianqi) Co., Ltd.	China	
Botian Sugar Industry (Zhangbei) Co., Ltd.	China	
Bonuit Investments Limited	Jersey	
British Sugar (Overseas) Limited	United Kingdom	
British Sugar Consulting Services (ShangHai) Co Ltd	China	
British Sugar plc	United Kingdom	
BSO (China) Limited	United Kingdom	
Calsa Chile Inversiones Limitada	Chile	
CALSA de Peru S.A.C.	Peru	
Carabello Trading and Investments 20 Limited	South Africa	51
Cereal Industries Limited	United Kingdom	
Cereform Limited	United Kingdom	
CGS Investments (Pty) Limited	South Africa	51
Compañía Argentina De Levaduras S.A.I.C.	Argentina	
Compañía de Alimentos Latinoamericana de Venezuela (CALSA) S.A.	Venezuela	
Davjon Food Limited	United Kingdom	
Dorset Cereals Limited	United Kingdom	
Dwangwa Sugar Corporation Limited	Malawi	39
East African Supply (Pty) Limited	South Africa	51
Eastbow Securities Limited	United Kingdom	
Elsenham Quality Foods Limited	United Kingdom	
Enzymes Leasing Finland Oy	Finland	
Fishers Feeds Limited	United Kingdom	
Fishers Seeds & Grain Limited	United Kingdom	
Fleischmann Foods S.A.	Colombia	
Food Investments Limited	United Kingdom	

Name	Country	% effective holding if not 100%
Food Investments Pty. Limited	Australia	
Foods International Holding B.V.	Netherlands	
Foods International S.A.S.	France	
Foods International Vertriebs- und Marketing-Gesellschaft GmbH	Germany	
G. Costa and Company Limited	United Kingdom	
G. Costa (Holdings) Limited	United Kingdom	
Gb Plange UK Limited	United Kingdom	
George Chapman Proprietary Limited	Australia	
George Weston Foods (NZ) Limited	New Zealand	
George Weston Foods Limited	Australia	
Germain's (U.K.) Limited	United Kingdom	
Germains Seed Technology B.V.	Netherlands	
Germains Seed Technology, Inc.	United States	
Germains Seed Technology, S.A.	Spain	
Glendale Sugar Limited	South Africa	51
Golden Crumpet Co. Australasia Pty Ltd	Australia	
Greensted, S.A.	Uruguay	
Guangxi Bo Dong Food Company Limited	China	60
Guangxi Bo Hua Food Company Limited	China	71
Guangxi Bo Qing Food Company Limited	China	60
Guangxi Bo Xuan Food Company Limited	China	70
Guangxi BoAi Agriculture Technical Development Company Limited	China	70
Harbin Mauri Yeast Co., Ltd.	China	85
Hebei Mauri Food Co., Ltd.	China	
Illovo Distillers (Tanzania) Limited	Tanzania	41
Illovo Distributors (Pty) Limited	South Africa	51
Illovo Group Financing Services Limited	Mauritius	51
Illovo Group Holdings Limited	Mauritius	51
Illovo Group Marketing Services Limited	Mauritius	51
Illovo Sugar (Malawi) Limited	Malawi	39
Illovo Sugar (South Africa) Limited	South Africa	51
Illovo Sugar (USA) Company	United States	51
Illovo Sugar (Zambia) Limited	Zambia	51
Illovo Sugar Espana, S.L.	Spain	51
Illovo Sugar Ireland (in liquidation)	Ireland	51
Illovo Sugar Limited	South Africa	51
Illovo Swaziland Limited	Swaziland	31
Illovo Tanzania Limited	Tanzania	51
Illprop (Pty) Limited	South Africa	51
Indonesian Yeast Company Pty Limited	Australia	
Innovative Baking Technology B.V.	Netherlands	
Jacksons of Piccadilly Limited	United Kingdom	
James Neill Limited	United Kingdom	
Jasol Asia Pacific (Thailand) Ltd	Thailand	
John K. King & Sons Limited	United Kingdom	
Jordan Bros. (N.I.) Limited	United Kingdom	
Kilombero Holdings Limited	Mauritius	37
Kilombero Sugar Company Limited	Tanzania	28
Kingsgate Food Ingredients Limited	United Kingdom	
Korway Foods Limited	United Kingdom	
Korway Holdings Limited	United Kingdom	

28. Group entities continued

Name	Country	% effective holding if not 100%
Lacsa (Pty) Limited	South Africa	53
LeafTC Limited	United Kingdom	
Levadura Uruguaya S.A.	Uruguay	
Lojas Primark Portugal – Exploração, Gestão e Administração de Espaços Comerciais S.A.	Portugal	
Malawi Sugar Limited	Malawi	51
Maragra Açucar, S.A.	Mozambique	46
Mauri Fermentation Argentina Pty Limited	Australia	
Mauri Fermentation Brazil Pty Limited	Australia	
Mauri Fermentation Chile Pty Limited	Australia	
Mauri Fermentation China Pty Limited	Australia	
Mauri Fermentation India Pty Limited	Australia	
Mauri Fermentation Indonesia Pty Limited	Australia	
Mauri Fermentation Malaysia Pty Limited	Australia	
Mauri Fermentation Philippines Pty Limited	Australia	
Mauri Fermentation Vietnam Pty Limited	Australia	
Mauri Maya Sanayi A.S.	Turkey	
Mauri Products Limited	United Kingdom	
Mauri Research B.V.	Netherlands	
Mauri Technology B.V.	Netherlands	
Mauri Yeast Australia Pty Limited	Australia	
Meishan Mauri Yeast Co., Ltd. (in liquidation)	China	
Mitra Sugar Limited	United Kingdom	51
Mountsfield Park Finance Limited	United Kingdom	
Moyeni Ranch Limited	Swaziland	31
N&C Enterprises Pty Ltd	Australia	
Nanga Farms PLC	Zambia	33
NB Love Industries Pty Ltd	Australia	
Nere Properties Limited	United Kingdom	
New Zealand Food Industries Limited	New Zealand	
Noodsberg Sugar Company Limited	South Africa	51
Nueva Comercial Azucarera, S.A.	Spain	88
Nutrition Services (International) Limited	United Kingdom	
Nutrition Trading (International) Limited	United Kingdom	
Nutrition Trading Limited	United Kingdom	
Ohly GmbH	Germany	
Ohly Grundbesitz GmbH	Germany	
Palaa Consultores Marketing E Servicos Sociedade Unipessoal LDA	Portugal	51
Panyu Mauri Food Co., Ltd.	China	
Parkstone (Jersey) Limited	Jersey	
Parkstone Bakeries Limited	United Kingdom	
Patak (Spices) Limited	United Kingdom	
Patak Food Limited	United Kingdom	
Patak's Breads Limited	United Kingdom	
Patak's Chilled Foods Limited	United Kingdom	
Patak's Foods 2008 Limited	United Kingdom	

Name	Country	% effective holding if not 100%
Patak's Frozen Foods Limited	United Kingdom	
PGP International, Inc.	United States	
Portelet Investments Limited (dissolved 28 September 2015)	Jersey	
Premier Nutrition (Nantong) Co., Ltd	China	
Premier Nutrition Products Limited	United Kingdom	
Pride Oils Public Limited Company	United Kingdom	
Prima	Ireland	
Primark	Ireland	
Primark (U.K.) Limited	United Kingdom	
Primark Austria Limited	United Kingdom	
Primark Austria Ltd & Co KG	Austria	
Primark Deutschland GmbH	Germany	
Primark Fashion B.V.	Netherlands	
Primark France SAS	France	
Primark GCM LLC	United States	
Primark Holdings	Ireland	
Primark Italy S.r.l.	Italy	
Primark Mode Limited	United Kingdom	
Primark Mode Ltd. & Co. KG	Germany	
Primark Netherlands B.V.	Netherlands	
Primark Pension Administration Services Limited	United Kingdom	
Primark Pension Trustees Limited	Ireland	
Primark Property GmbH	Germany	
Primark SA	Belgium	
Primark Senior Executive Pension Trustees Limited	Ireland	
Primark Stil B.V.	Netherlands	
Primark Stores Limited	United Kingdom	
Primark Tiendas, S.L.U.	Spain	
Primark US Corp.	United States	
Primary Diets Limited	United Kingdom	
Primary Nutrition Limited	United Kingdom	
Proofex Products Company	Ireland	
Prospeserv Unipessoal Lda	Portugal	88
Provincial Merchants Limited	United Kingdom	
PT AB Food & Beverages Indonesia	Indonesia	
R. Twining and Company Limited	United Kingdom	
R. Twining and Company Sp. z o. o.	Poland	
Relax Limited	Malta	53
Reynolds Brothers Limited	South Africa	51
Rheinische Presshefe- und Spritwerke GmbH	Germany	
Roses Nutrition Ltd	United Kingdom	
S.A. Sugar Distributors (Pty) Limited	South Africa	51
Seedcote Systems Limited	United Kingdom	
Serpentine Securities Limited	United Kingdom	
Serrol Ingredients Pty Limited	Australia	
Servicios Alimentos Capullo, S. de R.L. de C.V.	Mexico	
Shanghai AB Food & Beverages Co., Ltd	China	
Sizzlers	Ireland	
Sizzlers Limited	United Kingdom	
Sizzles International Limited	Ireland	
Sizzles Limited	United Kingdom	
Smithchem (Pty) Limited	South Africa	51
Soublier Investments Limited (dissolved 28 September 2015)	Jersey	
Speedibake Limited	United Kingdom	
SPI Pharma SAS	France	

Financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

28. Group entities continued

Name	Country	% effective holding if not 100%
SPI Pharma, Inc.	United States	
SPI Polyols, LLC	United States	
Sucoma Holdings Limited	Mauritius	51
Sun Blest Crumpet Co. Limited (The)	United Kingdom	
Sunblest Bakeries Limited	United Kingdom	
Surgras S.A.	Argentina	
Talisman Guernsey Limited	Guernsey	
The Bakery School Limited	United Kingdom	
The Billington Food Group Limited	United Kingdom	
The Home Grown Sugar Company Limited	United Kingdom	
The Jordans & Ryvita Company Limited	United Kingdom	
The Jordans and Ryvita Company Australia Pty Ltd	Australia	
The Natural Sweetness Company Limited	United Kingdom	
The Roadmap Company Limited	United Kingdom	
The Silver Spoon Company Limited	United Kingdom	
The Weston Biscuit Company Limited	United Kingdom	
Tip Top Bakeries Limited	United Kingdom	
Trident Feeds Limited	United Kingdom	
Tukunka Agricultural Limited	Zambia	39
Twining Crosfield & Co. Limited	United Kingdom	
Twinings Japan Co Ltd	Japan	50
Twinings North America, Inc	United States	

Name	Country	% effective holding if not 100%
Twinings of Ireland Limited	Ireland	
Twinings Ovaltine Nigeria Limited	Nigeria	
Twinings Private Limited	India	
Ubombo Sugar Limited	Swaziland	31
Umzimkulu Sugar Company Limited	South Africa	51
UNIFERM Verwaltungs GmbH	Germany	50
Vistavet (Ireland) Limited	Ireland	
Vistavet Limited	United Kingdom	
Vitbe Flour Mills Limited	United Kingdom	
Vivergo Fuels Limited	United Kingdom	94
W. Jordan & Son (Silo) Limited	United Kingdom	
W.Jordan (Cereals) Limited	United Kingdom	
WA Feeds Pty Ltd	Australia	
Wander AG	Switzerland	
Wereham Gravel Company Limited (The)	United Kingdom	
Westmill Foods Europe B.V.	Netherlands	
Westmill Foods Europe GmbH	Germany	
Westmill Foods Limited	United Kingdom	
Weston Foods Limited	United Kingdom	
Weston Research Laboratories Limited	United Kingdom	
Worldwing Investments Limited	United Kingdom	
Xinjiang Mauri Food Co., Ltd.	China	90
Yantai Mauri Yeast Co., Ltd.	China	92
Yeast Products Company	Ireland	
Zambia Sugar plc	Zambia	39
Ziggys Ireland Limited	Ireland	

The only material non-controlling interests in the group arise from the group's 51% stake in the Illovo Sugar Limited group, some of whose subsidiaries also have non-controlling interests. Details of the group's ultimate ownership interest in all subsidiaries are given above. Summarised financial information in respect of the Illovo group is set out below, presented before intercompany eliminations with the rest of the group.

	2015 £m	2014 £m
Non-current assets	**447**	556
Current assets	**382**	442
Current liabilities	**(293)**	(287)
Non-current liabilities	**(201)**	(207)
Equity attributable to equity shareholders	**(141)**	(217)
Non-controlling interests	**194**	287
Revenue	**705**	744
(Loss)/profit for the period attributable to equity shareholders	**(4)**	20
(Loss)/profit for the period attributable to non-controlling interests	**(3)**	24
(Loss)/profit for the period	**(7)**	44
Dividends paid to non-controlling interests	**15**	21

28. Group entities continued

Following recent changes to Lusaka Stock Exchange (LuSE) regulations, all listed companies in Zambia must 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 for £11m. Net assets attributable to the increase in non-controlling interests were £8m, resulting in a £3m gain recognised directly in equity. As agreed with LuSE, the remaining 1.5% will be held in a separate account in the LuSE Central Securities Depository. While Illovo will waive its voting rights on these shares, it will still be entitled to receive dividends thereon.

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 amounts shown as liabilities in the statutory financial statements of the subsidiary undertakings registered in Ireland listed below in respect of the financial year ended 12 September 2015. As a consequence, these subsidiaries qualify for the exemption under section 357 of the Companies Act 2014 (Ireland) from the provisions of sections 347 and 348 of that Act.

Abdale Finance Limited
Prima
Primark
Primark Holdings
Primark Pension Trustees Limited
Primark Senior Executive Pension Trustees Limited
Sizzlers
Sizzles International Limited
Twinings of Ireland Limited
Ziggys Ireland Limited

Joint ventures

A list of the group's joint ventures as at 12 September 2015 is given below. All joint ventures are included in the group's financial statements using the equity method of accounting.

Name	Country	% holding
Chiltern Bakeries Limited	United Kingdom	44
Compañía de Melazas, S.A.	Spain	50
Fortnum & Masons Pty Limited	Australia	33
Frontier Agriculture Limited	United Kingdom	50
Boothmans (Agriculture) Limited	United Kingdom	50
Forward Agronomy Limited	United Kingdom	50
G F P (Agriculture) Limited	United Kingdom	50
GH2 Limited	United Kingdom	50
GH Grain Limited	United Kingdom	50
Grain Harvesters Limited	United Kingdom	50
Grampian Crop Services Limited	United Kingdom	50
Lothian Crop Specialists Limited	United Kingdom	50
Nomix Enviro Limited	United Kingdom	50
North Wold Agronomy Limited	United Kingdom	50
Phoenix Agronomy Limited	United Kingdom	50
Southampton Grain Terminal Limited	United Kingdom	25
Soyl Limited	United Kingdom	50
The Agronomy Partnership Limited	United Kingdom	50
Glendale Distilling Company	South Africa	26
Levaduras Collico S.A.	Chile	50
Qingdao Xinghua Cereal Oil and Foodstuff Co., Ltd	China	25
Roal Oy	Finland	50
Stratas Foods LLC	United States	50
Synchronis	France	50
UNIFERM GmbH & Co. KG	Germany	50
INA Nahrmittel GmbH	Germany	50
Uniferm Polska Sp Z.o.o	Poland	50

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

28. Group entities continued

Associates

A list of the group's associates as at 12 September 2015 is given below. All associates are included in the group's financial statements using the equity method of accounting.

Name	Country	% holding
Bakers Basco Limited	United Kingdom	20
C. Czarnikow Limited	United Kingdom	43
Czarnikow Group Limited	United Kingdom	43
C. Czarnikow Sugar Futures Limited	United Kingdom	43
C. Czarnikow Sugar (East Africa) Limited	Kenya	43
C. Czarnikow Sugar (Eurasia) Limited	Russian Federation	43
C. Czarnikow Sugar (Guangzhou) Company Limited	China	43
C. Czarnikow Sugar (India) Private Limited	India	43
C. Czarnikow Sugar (Mexico), SA de C.V.	Mexico	43
C. Czarnikow Sugar Inc.	United States	43
Czarnikow Futures Inc.	United States	43
C. Czarnikow Sugar Pte. Limited	Singapore	43
Czarnikow Brasil Ltda.	Brazil	43
Czarnikow Israel Sugar Trading Ltd (Sucrim)	Israel	43
Czarnikow Italia Srl	Italy	43
Czarnikow Servicios de Personal, SA de C.V.	Mexico	43
Czarnikow Tanzania Limited	Tanzania	43
Czarsugar Limited	United Kingdom	43
Sucris Limited	Israel	21
Sugarworld Limited	United Kingdom	43
Gledhow Sugar Company (Pty) Limited	South Africa	15
Kilombero Sugar Distributors Limited	Tanzania	10
Murray Bridge Bacon Pty Ltd	Australia	20
Big River Pork Pty Ltd	Australia	20
New Food Coatings Pty Ltd	Australia	50
New Food Coatings (New Zealand) Ltd	New Zealand	50
New Food Coatings (Philippines) Inc	Philippines	50
New Quality Ingredients PTY Limited	Australia	50
Newly Weds Foods (Thailand) Ltd	Thailand	50
Newly Wed Foods (Trading) Limited	Thailand	25
Witwood Food Products Pty Limited	Australia	50
PT Indo Fermex	Indonesia	49
P.T. Jaya Fermex	Indonesia	49
PT Sama Indah	Indonesia	49
Sukpak Limited	Mauritius	30

COMPANY BALANCE SHEET

at 12 September 2015

	Note	2015 £m	2014 £m
Fixed assets			
Intangible assets	1	**14**	14
Investments in subsidiaries	2	**663**	658
		677	672
Current assets			
Debtors			
– due within one year	3	**4,287**	4,863
– due after one year	3	**345**	376
Derivative assets		**21**	3
Cash at bank and in hand and cash equivalents		**467**	299
		5,120	5,541
Creditors: amounts falling due within one year			
Bank loans and overdrafts – unsecured		**(81)**	(134)
Other creditors	4	**(2,613)**	(2,981)
		(2,694)	(3,115)
Net current assets		**2,426**	2,426
Total assets less current liabilities		**3,103**	3,098
Creditors: amounts falling due after one year			
Bank loans – unsecured		**(520)**	(574)
Amounts owed to subsidiaries	4	**(318)**	(318)
		(838)	(892)
Net assets excluding pension liability		**2,265**	2,206
Net pension liability		**(25)**	(22)
Net assets		**2,240**	2,184
Capital and reserves			
Issued share capital	5	**45**	45
Capital redemption reserve	5	**2**	2
Hedging reserve		**(2)**	(4)
Profit and loss reserve	5	**2,195**	2,141
Equity shareholders' funds		**2,240**	2,184

The financial statements on pages 147 to 151 were approved by the board of directors on 3 November 2015 and were signed on its behalf by:

Charles Sinclair
Chairman

John Bason
Director

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

for the 52 weeks ended 12 September 2015

	2015 £m	2014 £m
Profit for the financial year	**309**	2,092
Net movement in own shares held	**11**	(44)
Remeasurement of defined benefit pension scheme	**1**	(5)
Deferred tax associated with defined benefit pension scheme	**–**	1
Current tax associated with share-based payments	**4**	–
Movement in cash flow hedging position	**2**	(4)
Dividends	**(271)**	(256)
Net increase in equity shareholders' funds	**56**	1,784
Opening equity shareholders' funds	**2,184**	400
Closing equity shareholders' funds	**2,240**	2,184

ACCOUNTING POLICIES

for the 52 weeks ended 12 September 2015

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 derivative financial instruments are stated at their fair value, and in accordance with applicable United Kingdom accounting standards (UK GAAP) and the Companies Act 2006.

As permitted by section 408(4) of the Companies Act 2006, a separate profit and loss account for the Company has not been included in these financial statements. As permitted by FRS 1, no cash flow statement for the Company has been included on the grounds that the group includes the Company in its own published consolidated financial statements. As permitted by FRS 8, no related party disclosures in respect of transactions with wholly owned subsidiaries have been included.

The Company has taken advantage of the exemption in FRS 25 *Financial Instruments: Disclosure and Presentation*, not to prepare a note to the financial statements relating to financial instruments as the information is available in the published financial statements of the group.

Intangible assets

Intangible assets comprise goodwill arising on acquisitions since 17 September 1998 and operating intangibles. Goodwill is the excess of the fair value of the purchase consideration of businesses over the fair value of net assets acquired. Goodwill is capitalised in accordance with FRS 10 and amortised over its useful life, not exceeding 20 years. Goodwill previously written off against reserves has not been reinstated.

Investments in subsidiaries

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

Financial instruments

All financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, and thereafter at amortised cost.

Pensions and other post-employment benefits

The Company operates defined contribution and defined benefit pension schemes. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable. The principal defined benefit scheme is a multi-employer scheme and the Company is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis. Contributions to this scheme are accounted for as if they were contributions to a defined contribution scheme. The Company has one small unfunded defined benefit scheme which it accounts for in accordance with FRS 17 using the advice of professional actuaries. The amount charged to the profit and loss account is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members during the year. It also includes a charge equal to the expected interest on plan liabilities over the year. The present value of plan liabilities is disclosed as a liability on the balance sheet net of any related deferred tax.

Share-based payments

The Company's equity-settled share-based payment plans take the form of conditional allocations of shares to employees which are released if, and to the extent that, performance targets are satisfied, typically after a three-year performance period. The fair value of the conditional allocations is recognised as an employee expense with a corresponding increase in reserves. The fair value is measured at grant date and spread over the period during which the executives become unconditionally entitled to the shares. The fair value of the conditional allocations is measured taking into account the terms and conditions under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Where the Company grants allocations of shares to employees of its subsidiaries, these are accounted for on the same basis as allocations to employees of the Company, except that the fair value is recognised as an increase to investment in subsidiaries with a corresponding increase in reserves.

Shares in the Company are held in a separate trust and are deducted in arriving at equity shareholders' funds.

Derivatives

Derivatives are used to manage the Company's economic exposure to financial risks. The principal instruments used are foreign exchange contracts and swaps (the 'hedging instrument').

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

1. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 13 September 2014	71	–	71
Additions	–	5	5
At 12 September 2015	**71**	**5**	**76**
Amortisation			
At 13 September 2014	57	–	57
Provided during the year	5	–	5
At 12 September 2015	**62**	**–**	**62**
Net book value			
Net book value at 13 September 2014	14	–	14
Net book value at 12 September 2015	**9**	**5**	**14**

2. Investments in subsidiaries

	£m
At 13 September 2014	658
Additions	5
At 12 September 2015	**663**

The additions relate to the allocation of shares under equity-settled share-based payment plans to employees of the Company's subsidiaries. There were no provisions for impairment in either year.

3. Debtors

	2015 £m	2014 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**4,254**	4,820
Other debtors	**7**	5
Corporation tax recoverable	**26**	38
	4,287	4,863
Amounts falling due after one year		
Amounts owed by subsidiaries	**345**	376

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

4. Other creditors

	2015 £m	2014 £m
Amounts falling due within one year		
Other taxation and social security	**1**	1
Accruals and deferred income	**47**	53
Amounts owed to subsidiaries	**2,565**	2,927
	2,613	2,981
Amounts falling due after one year		
Amounts owed to subsidiaries	**318**	318

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the 52 weeks ended 12 September 2015

5. Capital and reserves

Share capital

At 13 September 2014 and 12 September 2015, the Company's issued and fully paid share capital comprised 791,674,183 ordinary shares of 5 15/22p, each carrying one vote per share. Total nominal value was £45m.

Movement in reserves

	Share capital £m	Capital redemption reserve £m	Hedging reserve £m	Profit and loss reserve £m	Total £m
At 13 September 2014	45	2	(4)	2,141	2,184
Profit for the year	–	–	–	309	309
Net movement in own shares held	–	–	–	11	11
Remeasurement of defined benefit pension scheme, net of tax	–	–	–	1	1
Current tax associated with share-based payments	–	–	–	4	4
Movement in cash flow hedging position	–	–	2	–	2
Dividends	–	–	–	(271)	(271)
At 12 September 2015	**45**	**2**	**(2)**	**2,195**	**2,240**

Capital redemption reserve

The non-distributable capital redemption reserve arose following redemption of two million £1 deferred shares at par in 2010.

Dividends

Details of dividends paid and proposed are provided in note 6 to the consolidated financial statements.

Own shares held reserve and share-based payments

Ordinary shares subject to allocation under the Company's equity-settled share-based payment plans are held in a separate Employee Share Ownership Plan Trust. The Trust is funded by the Company. 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 12 September 2015, the Trust held 1,490,218 (2014 – 3,062,447) ordinary shares of the Company. The market value of these shares at the year end was £46m (2014 – £80m). The Trust has waived its right to dividends. Refer to note 22 of the consolidated financial statements for further information on the group and Company's equity-settled share-based payment plans.

Hedging reserve

The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

6. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company has provided £538m of guarantees in the ordinary course of business as at 12 September 2015 (2014 – £109m).

7. Related parties

The Company has a controlling shareholder relationship with its parent company, Wittington Investments Limited, with the trustees of the Garfield Weston Foundation and with certain other individuals who hold shares in the Company. Further details of the controlling shareholder relationship are included in note 28 to the consolidated financial statements. The Company has a related party relationship with its subsidiaries, associates and joint ventures and directors. In the course of normal operations, related party transactions entered into by the Company have been contracted on an arm's length basis.

Material transactions and year end balances with related parties (excluding wholly owned subsidiaries) were as follows:

	Sub note	**2015 £000**	2014 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		**661**	403
Charges to fellow subsidiary undertakings on normal trading terms	1	**60**	40
Dividends paid by the Company and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation	1	**9,838**	9,125
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation	1	**1,529**	1,442
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	**50**	43
(iv) members of the Weston family employed within the Associated British Foods group	1	**1,011**	952
Charges to non-wholly owned subsidiaries	2	**116**	92
Interest income earned from non-wholly owned subsidiaries	2	**228**	361
Amounts due from non-wholly owned subsidiaries	2	**7,077**	3,454
Amounts due to non-wholly owned subsidiaries	2	**8**	9

1. Details of the nature of the relationships with these bodies are set out in note 27 of the consolidated financial statements.
2. Details of the Company's subsidiaries, joint ventures and associates are set out in note 28 of the consolidated financial statements.

8. Other information

Emoluments of directors

The remuneration of the directors of the Company is shown in the Remuneration report for the group on page 83.

Employees

The Company had an average of 153 employees in 2015 (2014 – 135).

The Company is a member of the Associated British Foods Pension Scheme, which is a funded final salary scheme that is closed to new members. Defined contribution arrangements are in place for other employees. For the defined contribution scheme, the pension costs are the contributions payable. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent basis, as permitted by FRS 17, the scheme is accounted for by the Company as if it were a defined contribution scheme.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2014, using the current unit method and revealed a surplus of £79m. The market value of Scheme assets was £3,085m, representing 103% of members' accrued benefits after allowing for expected future salary increases.

Further details are contained in note 12 in the consolidated financial statements. There is no material difference in the valuation methodologies under IAS 19 and FRS 17.

Auditors' fees

Note 2 to the consolidated financial statements of the group provides details of the remuneration of the Company's auditors on a group basis.

PROGRESS REPORT

Saturday nearest to 15 September

	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Revenue	11,065	12,252	13,315	12,943	**12,800**
Adjusted operating profit	920	1,077	1,180	1,163	**1,092**
Exceptional items	–	(98)	–	–	**(98)**
Amortisation of non-operating intangibles	(83)	(100)	(92)	(72)	**(55)**
Profits less losses on disposal of non-current assets	5	(6)	–	(11)	**8**
Profits less losses on sale and closure of businesses	–	(9)	(128)	(2)	**(172)**
Finance income	9	9	13	15	**8**
Finance expense	(101)	(114)	(100)	(73)	**(61)**
Other financial income/(expense)	7	2	(5)	–	**(5)**
Profit before taxation	757	761	868	1,020	**717**
Taxation	(180)	(178)	(240)	(237)	**(193)**
Profit for the period	577	583	628	783	**524**
Basic and diluted earnings per ordinary share (pence)	68.7	70.3	74.0	96.5	**67.3**
Adjusted earnings per share (pence)	74.0	87.2	96.5	104.1	**102.0**
Dividends per share (pence)	24.75	28.5	32.0	34.0	**35.0**

COMPANY DIRECTORY

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Weston Centre
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London W1K 4QY
Company registered in England, number 293262

Company Secretary
Paul Lister

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

Auditors
KPMG LLP Chartered Accountants

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

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

Barclays Bank PLC
5 North Colonnade
Canary Wharf
London E14 4BB

Timetable
Interim dividend paid
3 July 2015

Final dividend to be paid
8 January 2016

Annual general meeting
4 December 2015

Interim results to be announced
19 April 2016

Website
www.abf.co.uk

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

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