Company No. 293262

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ASSOCIATED BRITISH FOODS plc

ANNUAL REPORT AND ACCOUNTS 1996

ASSOCIATED BRITISH FOODS

Annual Report and Accounts 1996

Contents

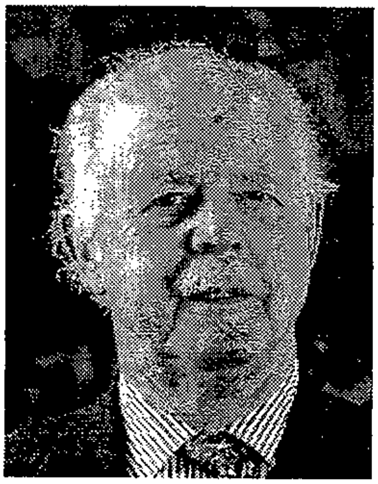
Directors and Advisors

Directors	Garry H Weston *Chairman*†
	Harold W Bailey *Deputy Chairman*
	Trevor HM Shaw
	Donald J Tidey
	Peter J Jackson
	David NC Garman
	Martin Clark
	WG Galen Weston*
	Rt. Hon. John RR MacGregor*†
	Professor Sir Roland Smith*†
Secretary	Trevor HM Shaw
Registered office	Weston Centre Bowater House 68 Knightsbridge London SW1X 7LQ Company registered in England, number 293262
Registrar's and transfer office	Lloyds Bank plc Registrar's Department Goring by Sea Worthing BN99 6DA
Auditors	KPMG Chartered Accountants
Bankers	Bank of Scotland Barclays Bank plc Girobank plc Lloyds Bank plc National Westminster Bank plc

*Non-executive director

†Member of the Audit and Remuneration Committees.

The Chairman's Statement



Garry Weston

I am pleased to report a further year of good growth for our company in which group turnover increased by 17 per cent to £5,707 million, operating profits increased by 18 per cent, whilst group profit before tax improved by 15 per cent to £430 million.

Although our company's history is one of expansion largely through organic growth, opportunities are also sought to develop our operations through the acquisition of companies in the United Kingdom and overseas which complement and expand our range of activities. During the year under review new businesses have been acquired or formed in Norway, Indonesia, China and in the USA.

The food manufacturing and processing operations in the United Kingdom again showed a further growth with sales increasing by 8 per cent to £3,113 million and profits by 12 per cent to £282 million.

The operating profit reported by British Sugar was marginally lower than last year at £183 million. The present strength of sterling has reversed the benefits accruing from changes to the green pound reported at the half-year stage and the current year's result has also been marginally affected by the costs associated with changes in the operating structure.

Allied Bakeries again produced improved results, consolidating the recovery made last year after a five year decline in profitability. Allied Mills also reported improved results from an increased level of sales.

Our other United Kingdom manufacturing operations have also contributed increased earnings for the year, including our Animal Feed operations, in spite of problems associated with BSE. The Twining Group of companies and Burtons Biscuits also achieved record levels of profitability.

The retail companies operating in the United Kingdom and

The Chairman's Statement continued

Ireland contributed excellent results with sales increasing by 8 per cent to £1,506 million and operating profits by 25 per cent to £69 million, with our supermarkets in the Republic of Ireland further increasing their share of that market. Primark, our textile operation, now includes in its results the contribution from the "One Up" stores acquired from Storehouse last year. This division reported excellent results in spite of one-off revenue costs arising from the conversion of our new stores to our company's trading format. The total retail results include a benefit arising from the change in the currency translation rate on sales and profits of £29 million and £2 million respectively.

Our operations in Australia and New Zealand showed a much improved result with sales and operating profits increasing by 20 per cent and 23 per cent to £637 million and £38 million. Again, these include the benefit arising from changes in the exchange rate on sales of £36 million and £2 million on profits.

AC Humko, acquired from Kraft Foods in September 1995, has had a successful first year of operation within our group. Profits earned in the United States are stated after a restructuring charge of £5 million following the decision to merge the speciality oil business of AC Humko with that acquired from Karlshamn the previous year. This reorganisation, together with the additional sales base provided by recent acquisitions, will provide a good basis for future earnings growth.

Investment income for the year at £54 million is after writing down the value of our residual holding in Berisford plc following the recent fall in that company's share price. The returns obtained during the year on our surplus funds exceeded short term cash rates, but nevertheless fell short of those achieved last year which had benefited from a recovery in international bond prices.

The net cash balances held by the group increased by £196 million to £797 million at 14 September 1996 after financing expenditure on capital assets and acquisitions of £242 million during the year.

The directors have today declared a second interim dividend of 5.25p per share. This makes a total for the year of 9.5p, an increase of 9 per cent on the dividends paid in respect of last year. Cover is maintained at 3.3 times. This dividend will be paid on 3 March 1997 to shareholders on the register on 4 February 1997.

I am pleased to welcome to the Board Martin Clark who succeeds Harry Bailey as Finance Director. Harry, now aged 60, although ceasing to be a full time executive director continues as Deputy Chairman and remains an active member of the Board.

Finally, I wish to express my appreciation to all employees for their support and dedication to the continued success of the Group.

The Financial Review

Capital Structure

In December 1995, the authorised ordinary share capital of the company was increased by £30 million and the ordinary shares in issue doubled by a one for one bonus issue.

Ordinary shareholders' funds increased by £195 million to £2,451 million. This increase includes £10 million currency surplus arising in the translation into sterling of the net assets of our overseas subsidiaries, and is after deducting £8 million being the cost of goodwill acquired and written off during the year.

Cash flow and net cash balances

Our net cash balances amounted to £797 million at 14 September 1996, an increase of £196 million during the year.

The group is highly cash generative with the net cash flow from operating activities producing £577 million, an increase of £61 million over last year. Capital expenditure continues at a high level with £225 million spent during the year. Expenditure on acquiring new businesses at £17 million was significantly lower than the £157 million spent last year.

Loans payable after one year amounting to £163 million include £150 million being the 10.75 per cent debenture stock issued by British Sugar plc prior to its acquisition by the group in 1991. A further £7 million is the unsecured loan stock issued in 1968. These loans are payable by 2013 and 2002 respectively. The short term borrowings of $50 million raised in 1995 to part fund the acquisition of AC Humko were repaid during the year.

Treasury

The group's cash and current asset investments totalled £993 million at the year end, including £641 million placed with professional investment managers who have discretion to act within closely monitored and agreed guidelines.

These guidelines, which are kept under review at all times, are primarily concerned with limiting the exposure of the funds, and therefore there is a requirement that all investments must have a minimum credit rating of AA- and be kept in a highly liquid form, i.e. all instruments over three months maturity are to be negotiable within an active market. Cash limits are given to each borrower and the guidelines also specify in which currencies funds may be invested.

The return on these investment funds earned during the year outperformed the rates that could be earned in the cash market.

The group's other cash balances and foreign exchange requirements are managed by a central treasury department operating under strict guidelines. Foreign currency forward purchases or sales made must be against known commitments. Futures contracts used in our commodity trading operations must be placed within tightly controlled limits. No other derivatives are used. The treasury department also arrange short term bank finance, mainly using committed lines of revolving credits, to finance the annual working capital requirements for the sugar beet and wheat harvests.

No financial hedge is taken against the group's long term investments in overseas subsidiaries.

Capital Expenditure

Capital expenditure for the year amounted to £225 million, and at the end of the year commitments amounted to a further £72 million. The expenditure is principally to upgrade, modernise and expand existing facilities. The directors anticipate that cash balances and net operating cash flows will be sufficient to meet future capital expenditure.

Taxation

The average tax rate for the year at 33 per cent showed a marginal increase on the rate of 32 per cent payable in respect of last year. A contributory factor to this increase was the higher proportion of overseas earnings with higher tax rates and, in particular, the increased rate of tax payable on the profits in Australia. In the absence of governmental action, it is not expected that the average tax rate will materially vary in future years.

The Operating Review

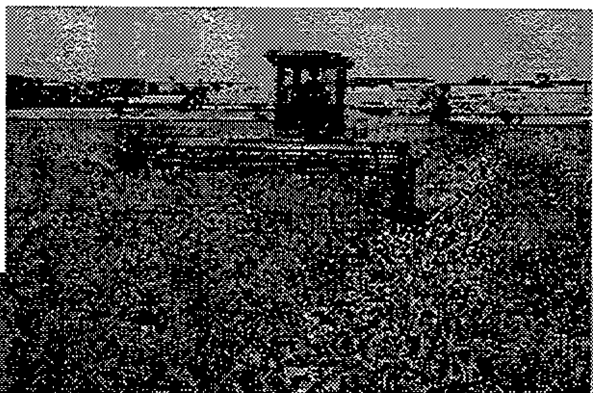
British Sugar

The exceptionally dry summer of 1995 had an adverse impact on the United Kingdom beet crop and at one stage there was even concern that production would not reach the company's full quota level of 1.14 million tonnes. However, in agreement with the National Farmers' Union, the processing campaign start was delayed until early October which helped avoid difficulties in harvesting beet from the hard ground and also allowed further crop growth. The growers and British Sugar's agricultural staff worked well to maximise beet deliveries, but with the dry weather contributing to a sugar content below 17 per cent, total production fell to only 1.22 million tonnes, our lowest crop for ten years.

Despite the low crop size, the Company decided to take full advantage of high world sugar prices by reducing by 55,000 tonnes the amount of sugar it was holding as carry-over "blocked" sugar and selling that sugar instead on the world market. From a strategic viewpoint, the Company will look to slightly increase its level of blocked sugar over the next few years as world sugar prices settle to more normal levels.

Low sugar content and high impurity levels in the beet made processing difficult, but most factories established new beet slicing records, with the total company daily slice rate of 70,000 tonnes being exceeded on several occasions. As part of the company's lowest cost producer strategy, capital investment of £29 million was completed in the non-processing period with major projects to increase fuel efficiency, thick juice storage and factory throughput. A further £30 million expenditure is planned for next year.

In the home market, profitability benefited from the flowthrough impact of the August 1995 green pound changes to support price and further increases which came into effect in November 1995. However, the latter were more than offset by a green pound decrease in June 1996 following a period of sterling strength. This movement, combined with a reduction in marketing levy, meant that the support prices on



Rape seed, borage and sugar beet. Three of the major crops processed by the group.

The Operating Review continued

Allinson and Kingsmill. Allied Bakeries' leading brands in the United Kingdom market.

which individual customer prices are based finished the financial year below the level of July 1995.

Overseas expansion continued with the announcement of a joint venture partnership with the Sungai Budi Group of Indonesia. British Sugar Overseas (BSO) will take a 49.9 per cent share in a new glucose and fructose syrup plant which is being constructed on a green field site near Jakarta.

The plant will process 50,000 tonnes a year of glucose and fructose from tapioca starch, of which Sungai Budi are the largest producer in the Far East. In a separate deal, BSO has taken a 49.9 per cent share in a smaller existing Sungai Budi glucose and sorbitol plant located in neighbouring Sumatra.

In China, BSO has taken a 51 per cent share in two joint ventures in Henan province. Both are green field sites, one will produce 50,000 tonnes of glucose from native maize starch, while the other will produce 24,000 tonnes a year of pharmaceutical dextrose. Boqing our first Chinese investment in sugar, has now completed its first full year of trading. Despite a dramatic fall in local prices, we are pleased to report that the joint venture made a profit and that a capital project to double capacity will be completed in time for the next campaign.

Performance at Germains, the group's seed pelleting operation, was again excellent. Following further growth in the United States it has been decided to build an additional new plant in Fargo, North Dakota ready for the forthcoming production season. In Poland a very successful first year of our 65 per cent owned joint venture was completed.

AB Nutrition

In AB Nutrition, our animal feed division, the below average sugar beet crop produced less molassed sugar beet feed than in previous years although this was offset by increased prices as the world market suffered a shortage of raw materials. This had a correspondingly detrimental effect on manufactured feeds where the cost increases could not be fully absorbed in a competitive market which had also been adversely affected by the BSE crisis. KW Agriculture had a very successful year with the product range being very much in demand as farmers sought to reduce feeding costs. ABN's results were also bolstered by excellent results in the pig breeding sector of its business.

In its first investment overseas, ABN has taken a 60 per cent share in a joint venture to build and operate an animal feed mill in Shanghai to supply the rapidly developing Chinese lean pig market.

ABR Foods

At ABR Foods the recent investment in modern glucose refining technology has enabled the business to increase its sales of glucose products and maintain a reasonable level of profitability in spite of significant wheat cost increases and lower vital wheat gluten prices. During the second half of the year increased selling prices recouped some of the impact of these cost increases, producing a much improved trading result in the fourth quarter and providing a strong basis for the start of the new financial year. Further investment is being made at Corby to extend the range of glucose and starch-based products which, together with additional applications support, will service the technical requirements of our customers in the food and paper corrugating industries.

Allied Grain

Sales and profits in grain trading have recovered from the disappointing results of 1995, partly from the reduction of the set aside programme. Further benefits have also been achieved following a major restructuring which rationalised the grain handling operation in both the United Kingdom and Holland.

John K King, a rape seed merchant, was acquired last year and the continued move to added value has increased its portfolio of products. These include new contract growing arrangements in the

Ciabatta bread. Part of the Speedibake range which earned that company a Queen's Award for Exports.

The Operating Review continued

USA and France, and the development of new crops for the pharmaceutical, oleochemical, cosmetic and human food markets.

Fishers

The Fishers group experienced a difficult year of reorganisation but nevertheless increased profits by 11 per cent over the previous year.

The Feed business started the year well, with good margins and volumes. However, raw material prices escalated and it was not until the end of the year that margins had recovered.

The Livestock marketing division enjoyed a good year and over a million pigs were marketed at satisfactory margins.

The Fishers' merchanting operations had a good year, and in spite of suffering the expected loss of the first quarter's drying revenue following the 1995 harvest, the business still exceeded last year's profits by over 15 per cent.

Allied Mills

The further depletion of world grain stocks, anticipated this time last year, together with the weakness of sterling, led to a modest increase in the price of flour in early 1996. Nevertheless, sales volumes have increased in a competitive market and it is also pleasing to report that our export sales increased by 26 per cent.

Trading profits continue to reflect the emphasis on efficiency and cost reduction. A major programme of investment is underway and our brand new Coronet Mill at Manchester is well advanced and on schedule to become operational during 1997. Major developments are planned at several other mills, with the work at our Corby milling facility also expected to be complete in good time for the 1997 harvest.

The 1996 United Kingdom wheat harvest

A million wagon wheels a day have been produced since 1951.

is likely to be recorded as one of the more voluminous, although with reduced quality and lower protein levels than the 1995 harvest. Additionally, the supplies of breadmaking wheat varieties will be further reduced as United Kingdom and European farmers continue to switch their growing patterns into higher yielding feed varieties. Wheat prices have recently dropped from the highs of the summer and if the trend continues, or indeed if present values are sustained, then we remain confident of this division's continued growth.

Westmill Foods

The three divisions within Westmill, that is the flour, rice and food packaging operations, all achieved significant volume gains although margins have come under some pressure. Further investment in the rice blending equipment and muesli plant should provide growth in profits next year.

Twinings' quality products are available in nearly one hundred countries worldwide.

Allied Bakeries

Trading conditions in the plant bread market were again very competitive as the major retailers continued to increase their overall share of the market at the expense of the independent retailers. Although the selling price of the cheapest bread remained extremely low, there were signs that the market is receptive to quality products at higher prices.

This was evidenced in the introduction of standard bread variants with enhanced pricing and the continued growth of the premium white sector. This important market, now shared with most major bakers, grew by 20 per cent during the year, a rate matched by Kingsmill which remained the leader in this sector.

Another new initiative involves the setting up of an ambient part-baked facility to supply retail In-Store Bakery units, and production and deliveries are due to commence during the Autumn of 1996.

Cost reduction remains a key factor in offsetting the impact of a competitive market.

Further steps were taken to improve efficiency with new modern plants being installed at Cardiff and Stockport and with the progressive introduction of more flexible manning arrangements throughout the division.

As part of the continuous review

The Operating Review continued

of production capacities plans were announced to close production facilities at Sheffield, Bradford and Edinburgh. Improvements in our distribution system included the introduction of Sunday deliveries to our major customers with an enhanced level of service.

Speedibake

Speedibake operate three factories and its sales of frozen and ambient part-baked bakery products have set new records and produced profits ahead of budget. New products continue to be added to the range and new customers and markets are being gained.

The continued success in exporting Speedibake's bakery range to an increasing number of countries has resulted in the company being given the Queen's Award for export achievement.

Biscuits and Ryvita

Burtons increased both turnover and profits with the introduction of new products and the economies resulting from the concentration of biscuit production at the factories in Edinburgh and South Wales.

The United Kingdom biscuit business grew by 10 per cent with core brands, Wagon Wheels, Jammie Dodgers and Viscount biscuits all performing well. Export volumes increased by 20 per cent, with the main growth coming in Russia.

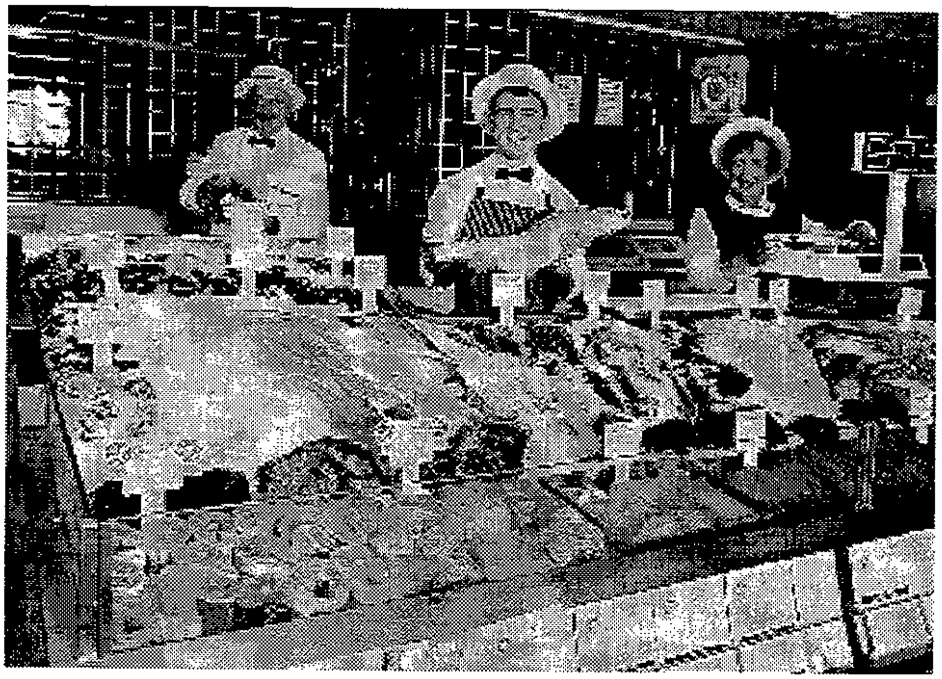
The factory at Blackpool is now fully operational producing a range of jelly, gum and liquorice confectionery. Sales prospects for these products are very encouraging. The company's range of savoury snacks has also been extended, and new 'low-fat' lines are being introduced for major retail customers.

The most encouraging feature of the year for the Ryvita Company has been the turnaround in sales of traditional Ryvita Crispbread in the home trade, against the trend of world-wide decline in demand.

A combination of improved marketing and the launch of the new multi-grain variety has led to a substantial increase in sales in spite of competition from own label crispbread in

Nelsons' luxury jams produced at their factory on Merseyside.

some of our many major retail customers. Increased ingredient and packaging costs, the costs associated with commissioning new production and wrapping lines, and a drive for improved quality, have reduced profitability and also temporarily restricted capacity.



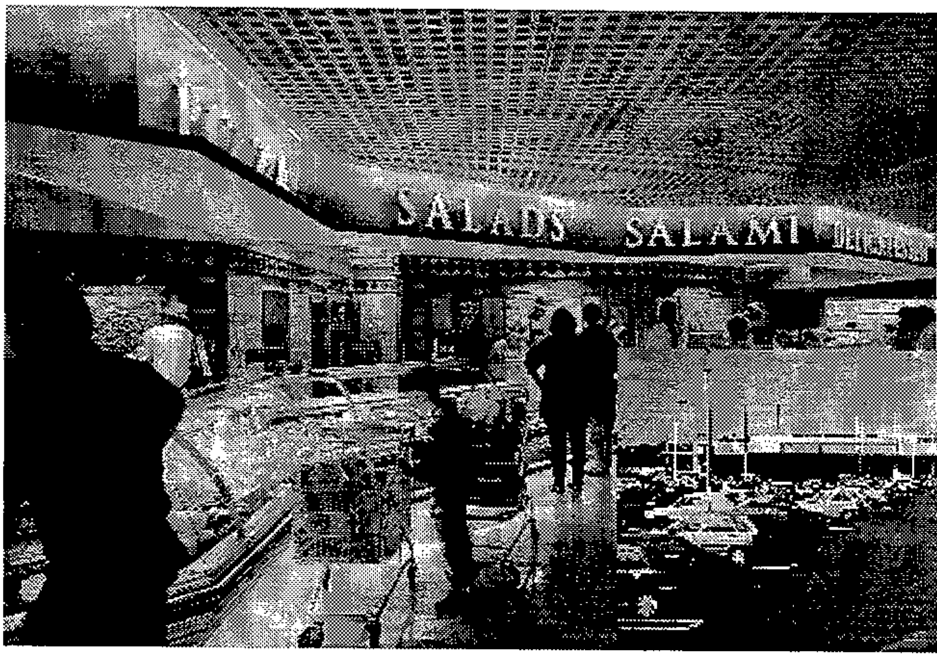
Fresh fish counters are an important element in the major Stewarts stores in Northern Ireland.

Twinings

All the main operations in the Twining Group of companies improved their sales and profit performances during the year, with particularly good results coming from the United States and France.

World tea prices were generally stable and increases in packaging and labour costs at our factories were more than offset by the contributions from higher sales levels.

In the United Kingdom, Twinings consolidated further its brand leadership in speciality and herbal teas, the only expanding sectors of the home tea market. Significant sales increases of these products were also achieved in the food service sector. In an increasingly competitive



Quinnsworth's store at Poleberry, Waterford was opened during the year.

The Operating Review continued

The recently acquired and refurbished Primark store at Wembley, North London.

market, our Northern Ireland company achieved record sales and profits.

The year saw a strong trading performance from our United States companies. By tactical use of trade promotions against strong competitors, and by additions to the product range, Twinings again increased its market share. To utilize fully our international assets, some production was transferred in the year from Europe to the United States, benefiting productivity and profits.

In Europe, margin pressure continues from the actions of our competitors and from increasing demands upon manufacturers as further mergers occur in the retail trade. In these markets Twinings maintained its shares, with growth realised mainly from new product introductions. Our French companies achieved significant improvements to profits in very difficult conditions.

Following a change of distributor structure in Australia, Twinings has fully regained its share in this important market with additional growth from a successful launch of herbal teas in Australia and New Zealand.

In January 1996 Twinings acquired the Haugen Group, one of the principal distributors of internationally branded foods in Norway. Beside protecting the future of Twinings' brand leadership in this market, Haugen is already a strong contributor to profits with further growth confidently expected in the coming year.

Twinings has taken the opportunity of recent liberalisation in the Indian economy to establish a production facility in this rapidly expanding market. Sales growth is already significant and the coming year will see the consolidation of our position.

With some inflation in tea and packaging costs during the coming year, continuing pressure on margins, particularly in Europe is expected. However, Twinings is planning for further growth in the United Kingdom, USA and Far East markets with brand support costs fully maintained. Assisted by increased productivity from new capital expenditure and planned new product introductions, Twinings look forward to the future with confidence.

Yeast, Fats and Food Ingredients

AB Technology achieved record sales from its factory at Northampton with significant export sales being made in emulsifiers. Production facilities have all operated at close to their maximum design capacity, and wherever possible plant improvements to increase capacity are being pursued.

A new plant has been built to produce organic esters for the technical, textile and industrial markets. Commissioning is almost complete and it is expected that this plant will make a positive contribution to profits in the next year.

AB Ingredients, also operating from Northampton, has seen its traditional markets for dough conditioners remain static this year. Growth within this division has come from the establishment of a specialist confectionery ingredients business providing a range of concentrates, toppings and fillings. Overall, sales and profits remained at last year's level.

Mauri Products is based at Hull and produces yeast for both the bakery and distilling markets. Sales have increased by 6 per cent in volume and by double that in value, reflecting the higher volume of yeast sales in cream form, and the increasing volume of export sales. Particularly important is the Benelux market where further growth is anticipated.

Rowallan produce a range of fats and margarines from their factory at Kilmarnock. Sales of industrial fats were affected by the BSE crisis, and profits failed to match those of last year. However, given stable raw material prices, the current year should produce improved sales and profits.

Frozen Foods and Preserves

The summer of 1996 failed to equal the long hot period experienced in 1995. Nevertheless, the ice cream factories recorded a sales increase of 10 per cent in value and over 5 per cent in volume.

An increase in selling price took place in Autumn 1995 thus contributing a full year effect, and many of the new products launched were of an "added – value" nature, with enhanced margins of profitability.

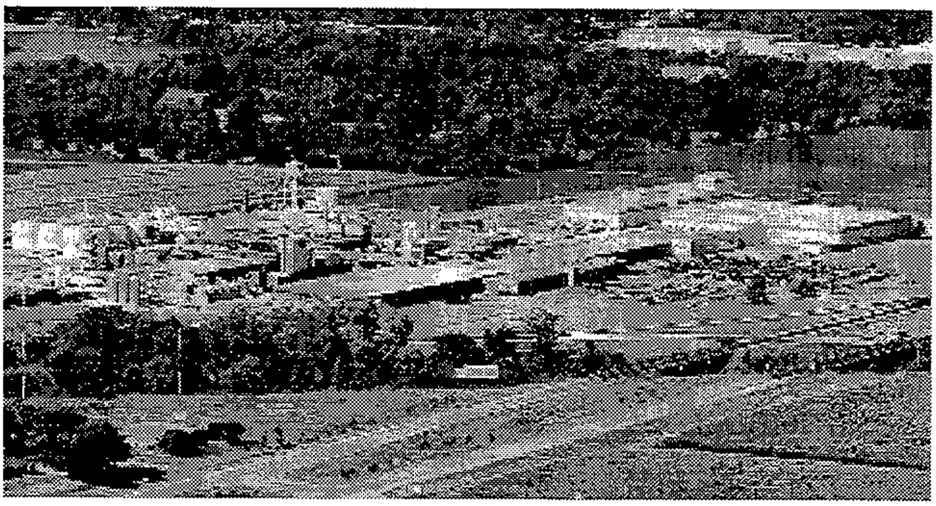
Nelsons of Aintree further increased turnover with the major gains coming in the bulk jams sold to other food manufacturers.

Exports from their Liverpool factory were well above those budgeted and next year will see also the full effect of selling price increases in sweeteners.

Retail

The Stewarts group operating in Northern Ireland experienced a 4 per cent fall in sales due in the main to the closure of nine supermarkets which were too small to be part of its strategic future.

The major AC Humko site at Jacksonville, Illinois which, together with a new facility at Oklahoma City, specialises in packing vegetable oil products for the retail trade.



The Operating Review continued

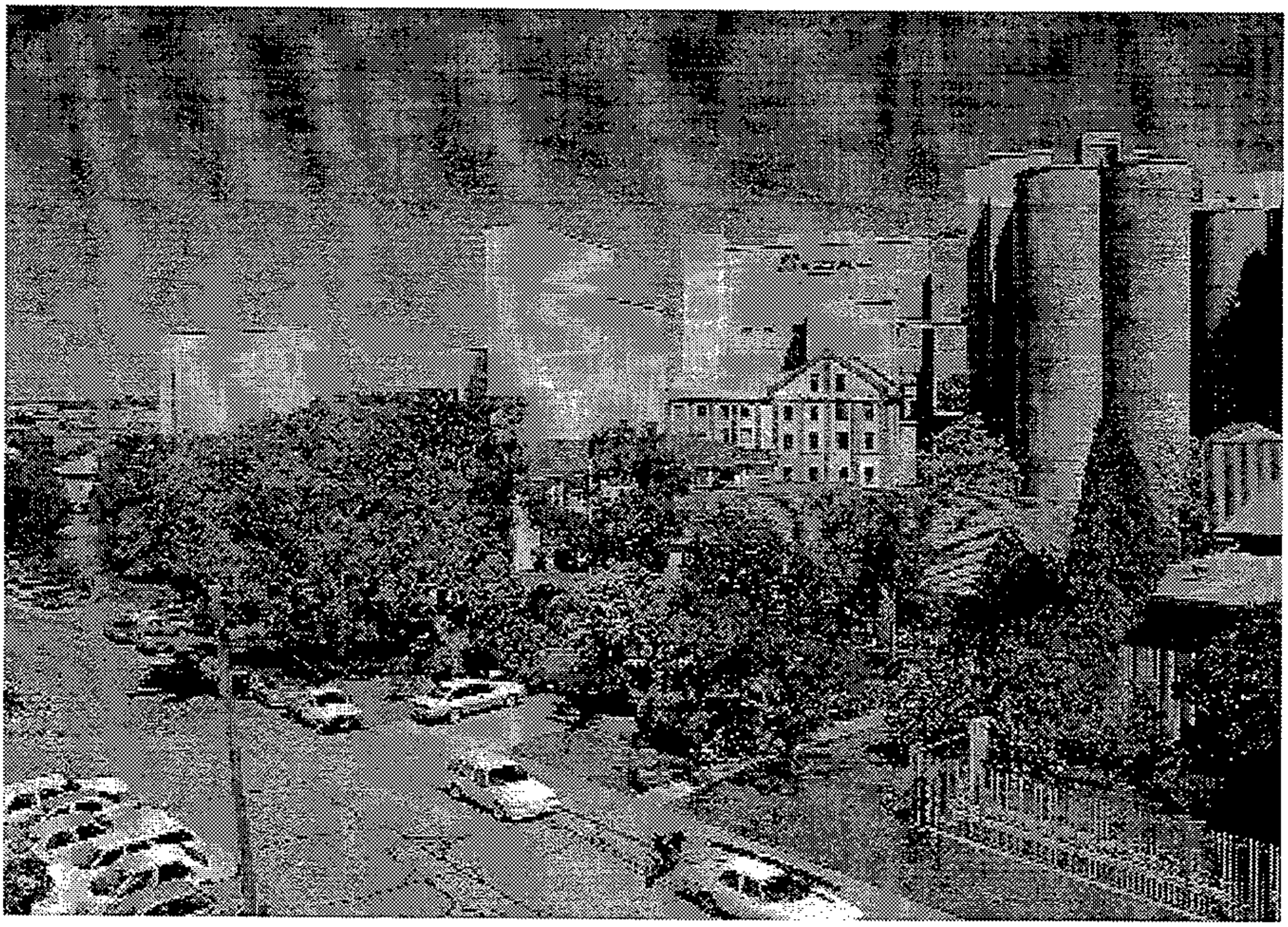
Currently, the group has plans for three new supermarkets but development is being delayed pending clarification of the planning situation in Northern Ireland. Elsewhere, the effect of the entry of new competition has been minimised, and we continue to refurbish and improve existing stores.

Stewarts is nearing the end of a programme to install their third generation point of sales terminals in all stores. This will provide additional management information, and also enhance customer loyalty schemes.

In the Republic of Ireland, the Power Supermarkets group trades from 115 stores including 38 Lifestyle Sports Stores. Sales grew to record new levels, outpacing national market growth and maintaining our position as the leading food retailer. A major contributor to this increase was the Premium Choice range of high quality own label products. This sales growth, together with improvements in margins, resulted in a further enhancement of operating net profits.

Major investment continues to be made in the Republic of Ireland. Nearly a third of the existing stores were refurbished, and two additional stores opened, one at Waterford City and one in County Wexford. Plans for the coming year include new stores which, together with

Weston Milling, NSW. The new mill at Enfield, which was completed in 1996, with the 1930's mill in the foreground.



extensions planned, will increase selling space by over 10 per cent.

Penneys and Primark, the textile retail chains, continued refurbishing the "One-Up" stores that were acquired last year, and this programme for the major stores is virtually complete. These companies have experienced an excellent year for trading and profits moved significantly ahead.

United States

The AC Humko business in the United States, acquired from Kraft at the end of last year, has had an excellent first year in the group. This business now includes the speciality oils manufacturing facility at Columbus, Ohio transferred from our Abitec subsidiary.

New growth opportunities were pursued and two acquisitions were completed during the year, including a manufacturing plant in Oklahoma, and these supplement the existing geographical spread of the division. Oklahoma is well sited to serve customers on the west coast as well as the south western United States.

Following the transfer of the vegetable oil activities to AC Humko, the Abitec Corporation now produces a range of chemical derivatives from vegetable oils from its factory in Janesville, Wisconsin. Its major customers are in the pharmaceutical and fragrance manufacturing industries and it is anticipated that the development of new products will produce a major profit contribution in future years.

Several new retail and food service products were launched during the year. The effects of these, together with the benefits of investment in systems, plant and personnel resulted in both sales and profits exceeding budgets.

Glass Manufacture

The scheduled rebuild of one of the furnaces at Lax and Shaw, Leeds, one of our two glass manufacturing sites took place during the year. A rebuild such as this takes eight weeks and consequently sales were marginally below those of last year. The new furnace has increased capacity, at lower energy costs, as we allow for future growth in sales and profits.

Both this factory and that of Gregg's of Knottingley now incorporate much of the latest technology and profit will continue to grow in 1997. Plans are underway to complete the rebuild of a second furnace at Leeds during the next twelve months.

Australia and New Zealand

This year has been a challenging one for the George Weston group in Australia in common with the Australian food industry as a whole. Business processes and the performance within all divisions have continued to be rigorously reviewed and as a result, both turnover and profits have improved.

Bread and Milling

A new flour mill was opened at Enfield, N.S.W. in April 1996, and this new facility is operating satisfactorily. Plans are being formulated to remodel further mills at Brisbane and Port Adelaide and opportunities continue to be identified where investment will reduce ongoing costs.

Despite the easing of the drought a perceived worldwide shortage of wheat kept prices high. This has squeezed margins in the bread division which has also felt the effects of retailers heavily promoting house brands, and of the further growth of the in store bakery concept.

The bread division has successfully launched several new products and the Tip Top and Golden brands have held their number one positions in the bread and hotplate markets.

Baked Foods

The result of the baked foods division, which includes the cake, biscuit and Ryvita operations, were somewhat disappointing. Although sales were well ahead of budget, there was a shortfall in profits. Price competition continues to be fierce, but remedial action taken this year should produce a substantially improved result next year.

Meat and Dairy

Much of the Meat and Dairy divisions' ongoing business was hit by the high cost of grain and other raw materials, and the fruit processing operations were adversely affected by a poor apple season. In contrast, Melosi Fine Foods, acquired last year, continued to develop strongly and sales have increased by over 50 per cent.

Starches, Cleaning Products and Adhesives

The unit's products, such as gluten, starch, glucose and other derivatives are used in a wide variety of industries including food processing, paper and cardboard, construction and mining.

The starches operating unit continued to develop its market strength and technologies, and has consolidated its links with partners throughout the world.

Increased sales and profits were achieved by the adhesives unit in spite of substantially increased competition. The introduction of computerised process control enabled plant output of some products to increase by 50 per cent.

The Cleaning Products unit continued to expand with two further acquisitions. Rationalisation and standardisation of the product range has taken place throughout Australia, and good progress has been made in developing export markets in South East Asia.

New Zealand Division

The New Zealand market continues to be very competitive. Consumption has shown very little growth and there has been increasing penetration of retail brand products to the detriment of the division's range.

Nevertheless, production improved during the year following the introduction of additional product lines, whilst costs were reduced through business rationalisation.

The Directors of the Company

Executive Directors

Mr Garry H Weston (aged 69)
Mr Weston was appointed Chairman of Associated British Foods in 1967, and a director of the company in 1949.
He is Chairman of George Weston Foods Limited of Australia and between 1962 and 1967 he was an executive director of George Weston Foods Limited and Chief Executive of that company's Biscuit and Cake operation.

Mr Harold W Bailey (aged 60)
Mr Bailey was appointed a director of Associated British Foods in 1979.
He was appointed Deputy Chairman in April 1996 having previously been the Finance Director of the group and is a member of the Institute of Chartered Accountants of Scotland.

Mr Trevor H M Shaw (aged 63)
Mr Shaw was appointed a director of Associated British Foods in 1979.
He is a solicitor and is also Company Secretary of the company. His principal responsibilities are the legal and secretarial functions of the group.

Mr Donald J Tidey (aged 61)
Mr Tidey was appointed a director of Associated British Foods in 1990.
He is Chief Executive of the group's food retailing activities in Northern Ireland and the Republic of Ireland.

Mr Peter J Jackson (aged 49)
Mr Jackson was appointed a director of Associated British Foods in 1992.
He has continued to be Chief Executive of British Sugar since British Sugar was acquired by ABF in 1991.

Mr David N C Garman (aged 44)
Mr Garman was appointed a director of Associated British Foods in 1993.
He is Chief Executive of Allied Bakeries.

Mr Martin Clark (aged 51)
Mr Clark was appointed a director of Associated British Foods in April 1996.
He is Finance Director of the group and is a non-executive director of BPB plc.

Non-Executive Directors

Mr W G Galen Weston (aged 56)
Mr Galen Weston was appointed a director of Associated British Foods in 1964.
He is President of George Weston Limited, Canada and is a director of Canadian Imperial Bank of Commerce.

Rt. Hon. John R R MacGregor (aged 59)
Mr MacGregor was appointed to the board in December 1994.
He is a Member of Parliament and Privy Councillor and has held several Cabinet and other ministerial posts, including Minister of Agriculture, Fisheries and Food.

Professor Sir Roland Smith (aged 68)
Professor Smith was appointed to the board in December 1994.
He is Emeritus Professor of Management Science in the University of Manchester and Chancellor of the University of Manchester Institute of Science and Technology.
He was a director of the Bank of England between 1991 and 1996, and is currently a director of several prominent public companies.

Report of the Directors

The directors submit to the members their sixty first annual report together with the financial statements of the company for the year ended 14 September 1996.

Profits and dividends
The group profit and loss account is on page 26. Profit for the financial year amounted to £278 million and the dividends to £85 million. Dividends are detailed in note 9 on page 36.

Review of activities
There has been no significant change to the activities of the group during the year. These activities principally concern the processing and manufacture of food in Europe, Australia and the United States, as well as food and textile retailing in the United Kingdom and the Republic of Ireland. Comments on the development of the business during the period under review and on the future outlook are contained within the Chairman's statement and Financial review on pages 3 to 6 and in the Operating review of activities on pages 7 to 18.

Changes in assets
The majority of the group's fixed tangible assets are included in the financial statements at cost. The properties are employed in the business and many of them were acquired when market values were substantially lower than at present. The directors consider that a surplus over book value exists, but are unable to quantify the excess.

Substantial shareholdings
Details of a controlling interest in the shares of the company are given in note 30 on page 43.

Other than as above, so far as is known, no other person holds or is beneficially interested in a disclosable interest in the company.

Employees
The directors recognise the benefits which accrue from keeping employees informed of the development of the business and involving them in the group's progress.

The group is organised on a divisional basis and directors or managers of each division continue to evolve procedures appropriate to their size and organisation designed to keep employees and their representatives briefed on all relevant matters.

It is policy within the group to offer equal opportunities to disabled persons in their recruitment, training and career development, having due regard to their aptitudes and abilities in relation to jobs available. Every attempt is made to give those who become disabled in the workplace an opportunity to be trained and redeployed elsewhere.

Power to issue shares
At the annual general meeting held on 8 December 1995, authority was given to the directors to allot unissued relevant securities in the company up to a maximum of an amount equivalent to one third of the shares in issue at any time up to 7 December 2000. No such shares have been issued. The directors propose to renew this authority at the annual general meeting to be held on 6 December 1996 for a further period of five years.

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 1985. This authority expires on the day after the annual general meeting to be held on 6 December 1996 and the directors will seek to renew this authority for a further period of one year.

Associated British Foods plc 1994 Share Option Scheme ("the Scheme")
The Scheme was established by the company in 1994. Under the terms of the Scheme, options to purchase ordinary shares in the company may be granted to selected qualifying employees over the ten years from November 1994. The grant of options is not subject to specified performance criteria.

The Environment
As a responsible employer, the company is conscious of its position and role within the community and is committed continually to improving its environmental performance. In meeting this objective, and recognising the

diverse activities of the group, each group company has responsibility for its own specific environmental policy, which takes account of special factors relevant to its own products and processes.

All such policies will:

- satisfy all appropriate legislation and the need to conform to good manufacturing practice;
- recognise the need to provide customers with safe, wholesome food;
- require full consideration to be given to:
  - a. responsible use of raw materials and conservation of resources;
  - b. efficient use of energy in all operations;
  - c. use of packaging materials and processes which minimise demands on non-renewable resources;
  - d. minimising emissions into the air, water courses or as waste;
  - e. the environmental impact of new capital investments;
- encourage active participation of employees in addressing environmental issues;
- provide a working environment which meets the requirements of the Health and Safety at Work Act 1974;
- seek assurances from suppliers on environmental issues;
- be subject to regular review, incorporating new objectives as appropriate.

Research and development

The trading companies and Weston Research Laboratories Limited develop existing technology, research new products and continuously monitor the maintenance of standards. Major facilities exist at Weston Research at Maidenhead, British Sugar at Norwich, George Weston Foods in Australia, and at AC Humko in the United States.

United Kingdom charitable and political contributions

Contributions to charitable organisations by the group during the year totalled £0.4 million. No political contributions were made during the year.

Payments to suppliers

The group does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The group seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Directors

A list of the directors of the company at the end of the year appears on page 2 and a schedule of their interests in the shares of the group appears on page 47.

Mr M Clark was appointed to the Board on 9 April 1996, and, in accordance with the Articles of Association, he now retires and, being eligible, offers himself for re-election.

In accordance with the Articles of Association, Mr H W Bailey, Mr P J Jackson and Mr D N C Garman retire from the board by rotation and, being eligible, offer themselves for re-election. Other than as disclosed in the financial statements, at no time during the year has any director had any material interest in a contract with the company, being a contract of significance to either party.

Other than Mr M Clark, whose contract of service extends to 31 March 1998, no director has a contract of service with the company which is not determinable within one year without payment of compensation.

Auditors

Our Auditors KPMG have indicated to the directors that a limited liability company, KPMG Audit Plc is to undertake part of their audit business. Accordingly, they have indicated their intention to resign and the directors intend to appoint KPMG Audit Plc as auditors to the company.

By order of the board

T H M Shaw Secretary 4 November 1996

T H M Shaw

Corporate Governance

Associated British Foods plc is a subsidiary company of Wittington Investments Limited which owns 50.9% of the company's ordinary shares. The Garfield Weston Foundation, of which Mr Garry H Weston is chairman of the trustees, owns 79.2% of the ordinary shares of Wittington Investments Limited. Garry H Weston is both chairman and chief executive of Associated British Foods plc and has occupied these roles since 1967.

The Audit and Remuneration Committees comprise Mr Garry H Weston, Rt. Hon. John MacGregor and Professor Sir Roland Smith. The Audit Committee is chaired by Professor Sir Roland Smith and meets formally every six months to receive and review reports from management and the external auditors. The Remuneration Committee is chaired by Mr Garry H Weston and also meets formally every six months. Additionally, the committees meet informally from time to time.

The Board considers that the company complied throughout the year with the Code of Best Practice drawn up by the Cadbury Committee on Corporate Governance ("the Cadbury Code") and with Section A of the best practice provisions of the Stock Exchange Listing rules introduced following the publication of the Directors' Remuneration — Report of a Study Group chaired by Sir Richard Greenbury ("the Greenbury Code") with the exception of the provisions relating to the size and constitution of the Audit and Remuneration Committees. It is recommended that these committees should be comprised of at least three non executive directors with no executive representation. The Board of Associated British Foods plc does not accept this recommendation as it considers that Mr Garry H Weston, Executive Chairman, should serve on both committees.

The separate report of the Remuneration Committee is given below.

Report of the Remuneration Committee

The Remuneration Committee sets the remuneration and other terms of employment of executive directors and the company's policy on remuneration of the senior executives within terms of reference agreed by the Board. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. Performance related bonuses are not given, other than in exceptional circumstances. In determining their remuneration policy the committee has given full consideration to Section B of the best practice provisions of the Stock Exchange Listing rules. Consistent with market conditions, Mr M Clark was given an initial contract of service to 31 March 1998 upon his appointment as Finance Director. This will be subject to review upon expiry of the contract. All other directors have contracts of service which do not exceed one year.

The company operates an executive pension scheme for senior executives which is incorporated in the main group scheme. The scheme is a defined benefit scheme whereby retirement benefits based on final remuneration and length of service are funded through a separate trustee administered scheme. The company pays contributions to the scheme on behalf of executives based on the recommendations of the independent actuary who carries out a valuation of the scheme every three years.

Full details of directors' remuneration and benefits as presently recommended by the Greenbury Code are given in note 4 to the financial statements on pages 34 and 35.

Internal Financial Controls

The directors are responsible for the group's system of internal financial control which is directed to safeguarding the assets of the group, ensuring proper accounting records are maintained and that financial information used within the business or for publication is reliable. Any system of internal financial control can, however, only provide reasonable and not absolute assurance against mistakes or loss.

The company's system of internal financial controls includes:

- Organisational structure
  The group's organisational structure is a decentralised one based on short lines of communication. Management responsibilities for major operating divisions are devolved to divisional chief executives who are main Board members reporting directly to the Chairman. The division

based in Australia, George Weston Foods Limited, is a quoted Australian public company having its own separate board, chaired by Mr Garry H Weston.

- Standards
  There are company wide guidelines on the minimum level of internal financial control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures in order 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 annually that the policies and procedures it has established have been complied with.

- High level controls
  All operations prepare annual plans and budgets for operational and cash performance, 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 thoroughly investigated.

  The majority of the group's cash reserves are managed by independent fund managers operating within detailed guidelines specified by the group relating to, inter alia, permitted investments and banks, currency exposures and approved instruments. The balance of the group's cash reserves are managed by its treasury function in accordance with guidelines referred to above.

  Foreign currency transactions are controlled by the group treasury function. The overall policy is to minimise the group's exposure to fluctuations in exchange rates.

  There are clearly defined guidelines for capital expenditure and investment decisions encompassing budgets, appraisal and review procedures and levels of authority.

- Review
  The detailed policies and internal financial control procedures established at operational level are reviewed by group personnel. The Audit Committee receives reports on internal financial control issues from management and from the external auditors.

The directors confirm that they have reviewed the effectiveness of the system of internal financial control utilising the review process set out above.

Going Concern

After making due enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements.

Directors' Responsibilities

in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors' Report to the Members of Associated British Foods plc

We have audited the financial statements on pages 26 to 46.

Respective responsibilities of directors and auditors

As described on page 24 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 14 September 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 22 and 23 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures, or on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control on pages 22 and 23 and going concern on page 23, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 22 and 23 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

KPMG KPMG

Chartered Accountants
Registered Auditors
London

4 November 1996

Consolidated Profit and Loss Account

	Note	[illegible]	For the year ended 16 September 1995 £m
Turnover	1	[illegible]	4,894
Operating profit	2	395	335
Profits less losses on sale of properties		16	–
Investment income	6	54	69
Profit on ordinary activities before interest		[illegible]	404
Interest payable	7	[illegible]	(29)
Profit on ordinary activities before taxation		430	375
Tax on profit on ordinary activities	8	[illegible]	(119)
Profit on ordinary activities after taxation		286	256
Minority interests – equity		(8)	(6)
Profit for the financial year		278	250
Dividends	9	(85)	(79)
Retained profit for the financial year	21	193	171
Earnings per ordinary share	10	31.0p	**27.8p**

The group has made no material acquisitions nor discontinued any operations within the meaning of the Financial Reporting Standards during either 1996 or 1995.

The comparative earnings per ordinary share for 1995 has been restated following the one for one bonus issue in December 1995.

Consolidated Balance Sheet

	Note	As at [illegible] September 1996 £m	As at 16 September 1995 £m
Fixed assets			
Tangible fixed assets	11	1,650	1,585
Investments	13	8	5
		1,658	**1,590**
Current assets			
Stocks	14	482	480
Debtors	15	[illegible]	481
Investments	16	[illegible]	791
Cash at bank and in hand		93	38
		1,989	1,790
Creditors amounts falling due within one year			
Short term borrowings	17	(33)	(69)
Other creditors	18	(875)	(780)
		(908)	(849)
Net current assets		1,081	**941**
Total assets less current liabilities		[illegible]	2,531
Creditors amounts falling due after one year			
Loans	17	(163)	(159)
Other creditors	18	(12)	(12)
		[illegible]	(171)
Provision for liabilities and charges	19	(38)	(37)
		2,526	**2,323**
Capital and reserves			
Called up share capital	20	[illegible]	24
Revaluation reserve	21	[illegible]	5
Other reserves	21	173	172
Profit and loss account	21	2,228	2,057
Equity shareholders' funds		2,453	2,258
Minority interests in subsidiary undertakings – equity		73	65
		2,526	**2,323**

These financial statements were approved by the board of directors on 4 November 1996 and were signed on its behalf by:

Garry H Weston Director

Consolidated Cash Flow Statement

	Note	For the year ended 14 September 1996 £m	For the year ended 16 September 1995 £m
Operating activities			
Net cash flow from operating activities	26	577	516
Returns on investments and servicing of finance			
Dividends and other investment income		62	55
Interest paid		(24)	(29)
Dividends of Associated British Foods plc		(79)	(116)
Dividends paid to minorities		(3)	(2)
		[illegible]	(92)
Taxation		[illegible]	(140)
Investing activities			
Purchase of tangible fixed assets		(225)	(198)
Sale of tangible fixed assets		31	11
Purchase of new subsidiary undertakings	27	(17)	(157)
Sale of subsidiary undertakings	27	[illegible]	6
Purchase of short term investments		(2,629)	(1,827)
Sale of short term investments		2,557	1,622
Purchase of equity investments		(2)	(1)
Sale of equity investments		[illegible]	34
		(289)	(510)
Net cash inflow/(outflow) before financing		137	**(226)**
Financing			
Issue of short term loans		3	33
Repayment of short term loans		(37)	–
		(34)	33
(Increase)/decrease in cash and cash equivalents	29	(103)	193
		(137)	**226**

Consolidated Statement of Total Recognised Gains and Losses

	For the year ended 14 September 1996 £m	For the year ended 16 September 1995 £m
Profit for the financial year	278	250
Currency translation differences on foreign currency net assets	10	20
Total recognised gains and losses	**288**	**270**

Consolidated Statement of Historical Cost Profits

There is no material difference between the group results as reported and on an unmodified historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

Reconciliation of Movements in Shareholders' Funds

	For the year ended 14 September 1996		For the year ended 16 September 1995	
	Group £m	Company £m	Group £m	Company £m
Profit for the financial year	278	97	250	199
Dividends	(85)	(85)	(79)	(79)
Retained profit for the financial year	193	12	171	120
Other recognised gains and losses relating to the year	10	–	20	–
Goodwill acquired and written off during the year	(8)	–	(23)	–
Net increase in shareholders' funds	195	12	168	120
Opening shareholders' funds	2,258	346	2,090	226
Closing shareholders' funds	**2,453**	**358**	**2,258**	**346**

Balance Sheet of the Company

	Note	As at 14 September 1996 £m	As at 16 September 1995 £m
Fixed assets			
Shares in subsidiary undertakings	25	145	145
		145	**145**
Current assets			
Debtors	15	139	239
Investments	16	[illegible]	40
Cash at bank and in hand		[illegible]	20
		326	299
Creditors amounts falling due within one year			
Short term borrowings	17	(1)	(32)
Other creditors	18	(112)	(66)
		(113)	(98)
Net current assets		**[illegible]**	**201**
		358	**346**
Capital and reserves			
Called up share capital	20	[illegible]	24
Profit and loss account	21	[illegible]	322
Equity shareholders' funds		**358**	**346**

These financial statements were approved by the board of directors on 4 November 1996 and were signed on its behalf by:

Garry H Weston Director

Accounting Policies

Basis of preparation
These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable accounting standards and the Companies Act 1985 ("the Act").

The financial statements of the company and its subsidiary undertakings are made up for the year ended 14 September 1996, except for those of the Australian and New Zealand group and North American subsidiary undertakings which are made up to 31 July 1996 and 31 August 1996 respectively to avoid delay in the preparation of the consolidated financial statements.

Acquisitions
The consolidated profit and loss account includes the results of new subsidiary undertakings attributable to the period since acquisition. The excess of the purchase price of new subsidiary undertakings over the fair value of net assets acquired is written off against reserves in the year of acquisition.

Foreign currencies
Assets and liabilities overseas are converted into sterling at the rates of exchange ruling at the balance sheet date. The results of overseas operations have been translated at the average rate prevailing during the year. Exchange differences arising on consolidation are taken directly to reserves. Other exchange differences are dealt with as part of operating profits.

Pensions
The group has established separately funded pension schemes for the benefit of permanent staff, which vary with employment conditions in the countries concerned. Net pension costs are charged to income over the expected average remaining service lives of employees. Any differences between the charge for pensions and total contributions is included within pension provisions or debtors as appropriate.

Research and development
Expenditure in respect of research and development is written off against profits in the period in which it is incurred.

Associated undertakings
Companies in which the group has an investment comprising a long term interest, usually from 20% to 50% in the voting capital and over which it exerts significant influence, are defined as associated undertakings. Dividends received from these companies have been included in the group profits and the investments are stated in the consolidated balance sheet at cost. The difference between the cost and the net book value of the assets attributable to the investment, and the retained profits for the year of these companies, are in the opinion of the directors not material.

Depreciation
Depreciation, calculated on cost or on valuation, is provided on a straight line basis to residual value over the anticipated life of the asset. No depreciation is provided on freehold land. Leaseholds are written off over the period of the lease. The anticipated life of other assets is generally deemed to be not longer than:

Freehold buildings	66 years
Plant, machinery, fixtures and fittings:	
Sugar factories	20 years
Other operations	12 years
Vehicles	8 years

Leases
All material leases entered into by the group are operating leases, whereby substantially all of the risks and rewards of ownership of an asset remain with the lessor. Rental payments are charged against profits on a straight line basis over the life of the lease.

Stocks
Stocks are valued at the lower of cost or net realisable value, after making due provision against obsolete and slow-moving items. In the case of manufactured goods the term "cost" includes ingredients, production wages and production overheads.

Accounting Policies continued

Current asset investments
Current asset investments are stated at the lower of cost or market value.

Deferred tax
Deferred tax represents corporation tax in respect of accelerated taxation allowances on capital expenditure and other timing differences, to the extent that a liability is anticipated in the foreseeable future.

Notes forming part of the Financial Statements

1. ANALYSIS OF TURNOVER, PROFITS AND NET ASSETS

	Turnover		Profits	
	1996 £m	1995 £m	1996 £m	1995 £m
Geographical analysis (by origin and destination):				
European Union, mainly United Kingdom and Ireland	4,619	4,269	351	307
Australia and New Zealand	637	532	38	31
North America	451	93	6	(3)
	5,707	**4,894**	**395**	**335**
Business sector:				
Manufacturing	4,201	3,503	326	280
Retail	1,506	1,391	69	55
	5,707	4,894	395	335
Other net income			35	40
Profit on ordinary activities before taxation			**430**	**375**

	Net assets	
	1996 £m	1995 £m
Geographical analysis:		
European Union, mainly United Kingdom and Ireland	1,486	1,446
Australia and New Zealand	246	242
North America	143	125
	1,875	**1,813**
Business sector:		
Manufacturing	1,560	1,525
Retail	315	288
	1,875	1,813
Net financial assets	651	510
Total net assets	**2,526**	**2,323**

2. OPERATING PROFIT

	1996 £m	1995 £m
Turnover	5,707	4,894
Cost of sales	(4,375)	(3,728)
Gross profit	1,332	1,166
Distribution costs	(717)	(627)
Administrative expenses	(220)	(204)
Operating profit	**395**	**335**
Operating profit is stated after charging:		
Staff costs	707	642
Depreciation of fixed tangible assets	172	154
Hire of plant and machinery	7	7
Rentals payable under property leases	16	15
Research and development	7	9

Auditors' remuneration for audit services amounted to £2.0 million (1995 – £1.8 million). Fees paid to the auditors of the parent company for services other than the statutory audit supplied to the company and its United Kingdom subsidiaries during the year ended 14 September 1996 amounted to £0.9 million (1995 – £1.1 million).

Notes forming part of the Financial Statements continued

3. EMPLOYEES

	1996	1995
Average number of employees:		
European Union, mainly United Kingdom and Ireland	36,926	36,320
Australia and New Zealand	6,876	6,909
North America	1,371	436
	45,173	**43,665**

	£m	£m
Staff costs — wages and salaries	641	581
social security costs	51	48
other pension costs	15	13
	707	**642**

4. DIRECTORS' REMUNERATION

The aggregate remuneration of the directors was as follows:

	1996 £'000	1995 £'000
Executive directors' emoluments	1,538	1,327
Fees of non-executive directors	40	30
Pension contributions	15	71
	1,593	**1,428**

Remuneration, excluding pension contributions, of United Kingdom directors was as follows:

	Number 1996	Number 1995
£ 10,001 – £ 15,000	–	2
£ 15,001 – £ 20,000	2	–
£130,001 – £135,000	–	1
£140,001 – £145,000	1	–
£145,001 – £150,000	1	–
£190,001 – £195,000	–	1
£195,001 – £200,000	1	–
£205,001 – £210,000	1	1
£220,001 – £225,000	–	1
£230,001 – £235,000	–	1
£240,001 – £245,000	2	–
£325,001 – £330,000	–	1
£345,001 – £350,000	1	–

4. DIRECTORS' REMUNERATION continued

The following table shows an analysis of the remuneration of the directors:

	Salary or fees £'000	Bonus £'000	Benefits £'000	1996 Total £'000	1995 Total £'000	Pension contributions 1996 £'000	Pension contributions 1995 £'000
Executive directors							
GH Weston (Chairman)	340	–	10	350	330	–	–
HW Bailey (Deputy Chairman)	200	–	10	210	210	5	5
THM Shaw	132	–	11	143	135	2	2
DJ Tidey	227	–	17	244	225	4	4
PJ Jackson	207	25	11	243	235	–	56
DNC Garman	191	–	8	199	192	4	4
M Clark	142	–	7	149	–	–	–
Non-executive directors							
WGG Weston	–	–	–	–	–	–	–
JRR MacGregor	20	–	–	20	15	–	–
R Smith	20	–	–	20	15	–	–
	1,479	25	74	1,578	1,357	15	71

Benefits include the value attributed to benefits such as company cars, fuel and medical insurance.

Pension contributions are the amounts paid by the company to secure future pension benefits for each director.

M Clark was appointed to the Board on 9 April 1996.

At 14 September 1996, the following director had an outstanding option to acquire ordinary shares of Associated British Foods plc.

	At 14.9.96 and at 16.9.95	Exercise price	Date from which exercisable	Expiry date
DNC Garman	100,000*	278.5p*	17.11.1999	16.11.2004

*Restated following the one for one bonus issue in December 1995.

No other directors had any options during the year.

No options lapsed during the year. The mid-market price of the shares at 14 September 1996 was 411p. The highest mid-market price during the year was 420p and the lowest mid-market price was 340p.

The beneficial interests of the directors and their families in the ordinary shares of the company are shown on page 47.

5. PENSION COSTS

The group operates pension schemes, the majority of which are of the defined benefit type. The pension cost charge for the year was £15 million (1995 – £13 million).

The two main United Kingdom schemes provide benefits based on final pensionable earnings. The pension costs in the United Kingdom are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The last actuarial valuations of the two major schemes were carried out as at 5 April 1993 and 1 October 1995.

In these valuations it was assumed that the investment return would exceed price inflation by 4%, that salary increases would exceed price inflation by 2% and that increases in dividends would fall behind price inflation by between 0.5% and 0.75%. At the valuation dates the total market value of the two major schemes assets was £1,068 million and the actuarial value of these assets represented 115% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The group also operates pension schemes in Ireland, Australia and New Zealand and the United States. The charge for the year is based on recommendations by qualified local actuaries.

Notes forming part of the Financial Statements continued

6. INVESTMENT INCOME

	1996 £m	1995 £m
Dividend income—current asset equity investments	2	2
associated undertakings	1	1
Interest from other current asset investments—listed	5	(1)
unlisted	45	66
Profit on sale of current asset equity investments	1	1
	54	**69**

7. INTEREST PAYABLE

	1996 £m	1995 £m
Bank loans and overdrafts	5	11
Other loans	20	18
	25	**29**

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £m	1995 £m
The charge for the period is as follows:		
United Kingdom—corporation tax at 33% (1995 – 33%)	97	81
tax on franked investment income	–	1
Overseas—tax	50	37
deferred tax	(3)	–
	144	**119**

The charge for United Kingdom corporation tax is stated after a deduction of £6 million for double taxation relief (1995 – £36 million) on dividends received from overseas subsidiaries.

9. DIVIDENDS OF ASSOCIATED BRITISH FOODS plc

	1996 £m	1995 £m
First interim dividend of 4.25p per share (1995 – 4.25p)	38	38
Second interim dividend of 5.25p per share (1995 – 4.5p)	47	41
	85	**79**

The first interim dividend was paid on 2 September 1996. The second interim dividend will be paid on 3 March 1997.

The first interim dividend per share for 1995 has been restated following the one for one bonus issue in December 1995.

10. EARNINGS PER ORDINARY SHARE

The calculation is based on available profit for the financial year of £278 million (1995 – £250 million) and 900 million shares (1995 – 900 million) being the number of ordinary shares in issue.

The comparative number of shares for 1995 has been restated following the one for one bonus issue in December 1995.

11. FIXED TANGIBLE ASSETS

	Total £m	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Payments on account £m
Cost or valuation at 16 September 1995	2,459	710	1,333	348	68
Effect of currency changes	13	3	7	3	–
New subsidiaries	13	6	7	–	–
Additions	237	49	133	61	(6)
Disposals	(55)	(11)	(33)	(11)	–
On disposal of subsidiaries	(1)	–	(1)	–	–
Cost or valuation at 14 September 1996	**2,666**	**757**	**1,446**	**401**	**62**
Depreciation at 16 September 1995	874	89	601	184	–
Effect of currency changes	7	–	5	2	–
Provided during year	172	21	117	34	–
On disposals	(37)	(1)	(27)	(9)	–
Depreciation at 14 September 1996	1,016	109	696	211	–
Net book value at 14 September 1996	**1,650**	**648**	**750**	**190**	**62**
Net book value at 16 September 1995	1,585	621	732	164	68

	1996 £m	1995 £m
Analysis of land and buildings at net book value		
Freehold	590	566
Long leasehold	47	47
Short leasehold	11	8
	648	**621**

Land and buildings stated at valuation had a net book value at 14 September 1996 of £23 million (1995 – £21 million) based on valuations carried out principally in 1981/82. On a historical cost basis the net book value of these assets at 14 September 1996 would have been £17 million (1995 – £13 million).

The book value of land as at 14 September 1996 not amortised in the financial statements was £87 million.

12. CAPITAL COMMITMENTS

There are commitments for capital expenditure by the group of approximately £72 million (1995 – £69 million) for which no provision has been made in these financial statements.

Notes forming part of the Financial Statements continued

13. FIXED ASSET INVESTMENTS

	Total £m	Associated undertakings £m	Other Investments £m
At 16 September 1995	5	3	2
Additions	2	2	–
Transfers	1	1	–
At 14 September 1996	8	6	2

Investments are stated at cost.

Details of the principal associated undertakings and other investments are given on page 46.

14. STOCKS

	1996 £m	1995 £m
Raw materials and consumables	169	164
Finished goods and goods for resale	313	316
	482	**480**

15. DEBTORS

	Company		Group	
	1996 £m	1995 £m	1996 £m	1995 £m
Trade debtors	–	–	422	390
Amounts owed by subsidiary undertakings	148	204	–	–
Own shares	3	3	3	3
Other debtors	6	2	46	39
Prepayments and accrued income	1	2	43	49
Tax recoverable from subsidiary undertakings	31	28	–	–
	189	**239**	**514**	**481**

16. CURRENT ASSET INVESTMENTS

	Company		Group	
	1996 £m	1995 £m	1996 £m	1995 £m
Listed on a recognised stock exchange:				
Equity investments	–	–	22	32
Other listed investments	–	–	157	103
Unlisted investments	119	40	721	656
	119	**40**	**900**	**791**

The market value of the group's equity investments was £28 million (1995 – £38 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £1 million (1995 – £1 million) quoted on overseas stock exchanges.

17. LOANS AND SHORT TERM BORROWINGS

	Company 1996 £m	Company 1995 £m	Group 1996 £m	Group 1995 £m
Bank loans and overdrafts	1	32	27	63
Other loans				
Wholly repayable within five years				
Unsecured loans	–	–	7	8
Secured loans	–	–	5	–
Wholly repayable after five years				
5½% unsecured loan stock 1987/2002	–	–	2	2
7½% unsecured loan stock 1987/2002	–	–	5	5
10¾% redeemable debenture stock 2013 (secured)	–	–	150	150
	1	**32**	**196**	**228**
Creditor analysis				
Repayable:				
in one year or less—bank loans and overdrafts	1	32	27	62
other loans	–	–	6	7
	1	**32**	**33**	**69**
beyond one year—between one and two years	–	–	1	1
between two and five years	–	–	1	1
in more than five years	–	–	161	157
	–	**–**	**163**	**159**

The secured loans are secured by floating charges over the assets of subsidiary undertakings.

18. CREDITORS

	Company 1996 £m	Company 1995 £m	Group 1996 £m	Group 1995 £m
Amounts falling due within one year				
Trade creditors	–	–	374	330
Taxation on profits	24	20	144	104
Other taxation and social security	–	–	29	24
Accruals and deferred income	2	2	281	281
Dividends	47	41	47	41
Amounts owed to subsidiary undertakings	39	3	–	–
	112	**66**	**875**	**780**
Amounts falling due after one year				
Taxation on profits	–	–	12	12

Taxation falling due after one year of £12 million includes £6 million payable on or before 16 June 1998, and £6 million on or before 16 June 1999.

Notes forming part of the Financial Statements continued

19. PROVISIONS FOR LIABILITIES AND CHARGES

Restructuring and other provisions:	£m
At 16 September 1995	37
Profit and loss account	3
Utilised	(2)
At 14 September 1996	38

No provision for deferred tax is required (1995 – £nil). The full potential liability in respect of accelerated capital allowances at 14 September 1996 was £100 million (1995 – £96 million).

No deferred tax provision has been made in these financial statements for the additional tax which may be payable on the remittance to this country of the group's share of profits retained by overseas subsidiary undertakings.

20. SHARE CAPITAL OF ASSOCIATED BRITISH FOODS plc

	Deferred shares £1 each thousands	Ordinary shares 5p each thousands	Nominal value £m
Authorised			
At 16 September 1995	2,000	600,000	32
Authorised during the year	–	600,000	30
At 14 September 1996	**2,000**	**1,200,000**	**62**
Issued			
At 16 September 1995	2,000	449,815	24
Bonus issue capitalised out of reserves	–	449,815	23
At 14 September 1996	**2,000**	**899,630**	**47**

Resolutions were passed at the annual general meeting held on 8 December 1995 authorising the directors to increase the authorised ordinary share capital of the company by 600 million shares and to capitalise reserves. Following this meeting the authorised share capital of the company was increased to 1.2 billion shares and subsequently, 449,814,877 ordinary shares of 5p were allotted to shareholders as a one for one bonus issue. The allotment was at par and the consideration received for this share issue was satisfied by the transfer from reserves of £23 million.

The deferred shares are redeemable after 1 August 1997. The amount payable by the company on redemption is the amount paid up on the deferred shares.

Deferred shares carry no voting rights and have no rights to dividends or other income distributions. In the event of a winding up, repayment in respect of the deferred shares ranks after repayment of amounts paid up on the ordinary shares of the company. The deferred shares are entitled to repayment of amounts paid up but have no entitlement to any surplus.

Ordinary shares of the company already issued and subject to option under the Associated British Foods plc 1994 Share Option Scheme are held in a separate trust. The trust is funded by an interest free loan from the company, repayable from the proceeds of the exercise of options granted.

At 14 September 1996 the Scheme held 1,050,000 (1995 – 950,000) ordinary shares of the company. The cost of these shares has been included within debtors. The market value of the shares at the year end was £4.3 million (1995 – £3.4 million). The Scheme has waived its right to dividends. At the year end there were options outstanding over 440,000 (1995 – 140,000) ordinary shares. The comparative number of shares for 1995 has been restated following the one for one bonus issue in December 1995.

All costs relating to the Scheme have been charged against operating profit.

21. RESERVES

	Group revaluation reserve £m	Group other reserves £m	Group profit and loss account £m	Company profit and loss account £m
At 16 September 1995	5	172	2,057	322
Effect of currency changes	–	1	9	–
Retained profits of the year	–	–	193	12
Goodwill written off	–	–	(8)	–
Bonus issue of ordinary shares	–	–	(23)	(23)
At 14 September 1996	**5**	**173**	**2,228**	**311**

As permitted by Section 230 of the Companies Act, 1985, no profit and loss account has been presented for the company.

22. ACQUISITIONS

During the year the group acquired several small businesses for cash consideration of £16 million. The book value of the net tangible assets acquired amounted to £9 million.

The cumulative amount of goodwill written off as a result of the acquisitions made in the current and earlier financial periods is £518 million (1995 – £511 million).

23. CONTINGENT LIABILITIES

Associated British Foods plc has guaranteed overdrafts and other liabilities of certain subsidiary undertakings, the amount outstanding at 14 September 1996 being £47 million (1995 – £18 million).

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

24. LEASES

The group has minimum annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	within one year £m	two to five years £m	over five years £m	Total £m
Land and buildings	1	4	8	13
Other	1	2	–	3
At 14 September 1996	**2**	**6**	**8**	**16**
Land and buildings	3	2	10	15
Other	3	5	–	8
At 16 September 1995	**6**	**7**	**10**	**23**

25. SHARES IN SUBSIDIARY UNDERTAKINGS

	£m
At 16 September 1995	145
At 14 September 1996	**145**

Investments in subsidiary undertakings are shown at cost less amounts written off. A list of the principal trading subsidiary undertakings is given on page 45. None of the companies listed is a direct subsidiary undertaking of Associated British Foods plc.

The entire share capitals of the companies listed are held within the group except where percentages are shown. These percentages give the group's ultimate interest and therefore allow for the position where subsidiaries are owned by partly owned intermediate subsidiaries.

Notes forming part of the Financial Statements continued

26. NET CASH FLOW FROM OPERATING ACTIVITIES

	1996 £m	1995 £m
Operating profit	395	335
Depreciation	172	154
(Increase)/decrease in working capital		
Stocks	5	32
Debtors	(26)	(44)
Creditors	30	39
Provisions	1	–
	577	**516**

27. PURCHASE AND DISPOSAL OF SUBSIDIARY UNDERTAKINGS

	Purchases		Disposal	
	1996 £m	1995 £m	1996 £m	1995 £m
Net assets				
Tangible fixed assets	13	96	(1)	(3)
Stocks	4	45	–	(3)
Debtors	5	35	–	(2)
Cash at bank and in hand	1	2	–	–
Creditors	(7)	(31)	–	2
Loans and finance leases	(7)	(5)	1	–
Minority interests	–	(6)	–	–
	9	136	–	(6)
Goodwill	7	23	–	–
(Profit)/loss on disposal	–	–	–	–
	16	**159**	**–**	**(6)**
Satisfied by				
Cash	16	159	–	(6)
Net cash and cash equivalents				
Cash consideration	16	159	–	(6)
Cash and borrowings acquired	1	(2)	–	–
	17	**157**	**–**	**(6)**

28. ANALYSIS OF CHANGES IN FINANCING

Details regarding change in loans are set out in note 17. Details regarding changes in share capital are set out in note 20.

29. NET CASH

	Total £m	Invest-ments £m	Cash at bank £m	Short term borrowings £m	Loans over one year £m
At 17 September 1994	655	811	92	(90)	(158)
Purchase of short term investments	1,827	1,827	–	–	–
Sale of short term investments	(1,622)	(1,622)	–	–	–
Purchase of equity investments	1	1	–	–	–
Sale of equity investments	(24)	(24)	–	–	–
Issue of short term loans	(33)	–	–	(33)	–
Increase/(decrease) in cash and cash equivalents	(193)	(195)	(57)	59	–
Changes in market value	(8)	(8)	–	–	–
Effect of currency changes	(2)	1	3	(5)	(1)
At 16 September 1995	601	791	38	(69)	(159)
Purchase of short term investments	2,629	2,629	–	–	–
Sale of short term investments	(2,557)	(2,557)	–	–	–
Sale of equity investments	(2)	(2)	–	–	–
Issue of short term loans	(3)	–	–	(3)	–
Repayment of short term loans	37	–	–	37	–
Increase in cash and cash equivalents	103	45	56	2	–
Changes in market value	(8)	(8)	–	–	–
Arising on acquisition of subsidiary undertakings	(5)	–	–	–	(5)
Effect of currency changes	2	2	(1)	–	1
At 14 September 1996	**797**	**900**	**93**	**(33)**	**(163)**

30. HOLDING COMPANY INFORMATION

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited which is the ultimate holding company and is incorporated in Great Britain and registered in England.

At 14 September 1996 Wittington Investments Limited held 458,342,290 ordinary shares (1995 – 458,142,290) representing in aggregate 50.9% (1995 – 50.9%) of the total issued ordinary share capital of Associated British Foods plc. The comparative number of shares for 1995 has been restated following the one for one bonus issue in December 1995.

Notes forming part of the Financial Statements continued

31. RELATED PARTY TRANSACTIONS

The Associated British Foods plc group's ("ABF") related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	1996 £'000
Management charge from Wittington Investments Limited, principally in respect of directors and staff paid by them	1	550
Charges to Wittington Investments Limited in respect of services provided by ABF and its subsidiaries	1	(40)
Dividends paid by ABF and received in a beneficial capacity by:		
(i) Trustees of The Garfield Weston Foundation	2	3,221
(ii) Directors of Wittington Investments Limited who are not Trustees of The Foundation		520
(iii) Directors of ABF who are not Trustees of The Foundation and are not directors of Wittington Investments Limited	3	28
(iv) a member of the Weston family employed within the ABF group	4	284
		£m
Sales to fellow subsidiaries on normal trading terms	5	7
Purchases from fellow subsidiaries on normal trading terms	5	–
Amounts due from fellow subsidiary undertakings	5	1
Sales to George Weston Limited on normal trading terms	6	1
Sales to associated undertakings on normal trading terms	7	39
Purchases from associated undertakings on normal trading terms	7	(4)
Amounts due from associated undertakings	7	5
Amounts due to associated undertakings	7	(1)

Sub notes

1. At 14 September 1996 Wittington Investments Limited held 458,342,290 ordinary shares (1995 – 458,142,290) representing in aggregate 50.9% (1995 – 50.9%) of the total issued ordinary share capital of ABF.
2. The Garfield Weston Foundation ("The Foundation") is an English charitable trust which was established in 1958 by the late Mr W Garfield Weston. The Foundation has no direct interest in ABF but as at 14 September 1996 held 683,073 shares in Wittington Investments Limited representing 79.2% of that company's issued share capital and is, therefore, ABF's ultimate controlling party. The Trustees of the Foundation comprise six of the late Mr W Garfield Weston's children, including Garry H Weston who acts as Chairman of the Board of Trustees, and four of Garry H Weston's children.
3. Details of the directors of ABF are given on page 2. Their beneficial interests, including family interests, in ABF and its subsidiaries are given on page 47. Directors' remuneration, including options, is disclosed on pages 34 and 35.
4. A member of the Weston family who is employed by the group and is not a director of ABF or Wittington Investments Limited and is not a Trustee of The Foundation.
5. Fellow subsidiary companies are Aughton Limited, which was disposed of during the year, and Fortnum & Mason plc.
6. George Weston Limited is a Canadian listed company in which Mr W G Galen Weston has a controlling interest.
7. Details of the group's principal associated undertakings are set out on page 46.

Principal Subsidiary Undertakings

Food manufacturing activities	Country of incorporation
AB Ingredients Limited (95%)	United Kingdom
ABR Foods Limited	United Kingdom
AB Technology Limited	United Kingdom
Abitec Corporation	USA
AC Humko Incorporated	USA
Allied Bakeries Limited	United Kingdom
Allied Foods Co Limited (78%)	New Zealand
Allied Foods Limited	United Kingdom
Allied Grain Limited	United Kingdom
Allied Mills Limited	United Kingdom
J Bibby Agriculture Limited	United Kingdom
British Sugar plc	United Kingdom
British Sugar (Overseas) Limited	United Kingdom
Burtons Gold Medal Biscuits Limited	United Kingdom
Erik Haugen AS	Norway
Fishers Agricultural Holdings Limited	United Kingdom
Foods International SA	France
George Weston Foods Limited (78%)	Australia
Germains (UK) Limited	United Kingdom
Germains (Ireland) Limited	Republic of Ireland
Gregg & Company Limited	United Kingdom
Grosvenor Marketing Limited	USA
Guangxi Boqing Food Co. Limited (60%)	China
Henan Lianhua – BSO Glucose Co. Limited (51%)	China
Henan Lianhua – BSO Henan Pharmaceutical Co. Limited (51%)	China
Jacksons of Piccadilly Limited	United Kingdom
KW Agriculture Limited	United Kingdom
Lax & Shaw Limited	United Kingdom
Mauri Products Limited (50%)	United Kingdom
Namosa Limited	United Kingdom
Provincial Merchants Limited	United Kingdom
R Twining & Company Limited	United Kingdom
R Twining & Co Limited	USA
Seed Systems Incorporated	USA
Sugarpol (Torun) Sp zoo (68%)	Poland
The Ryvita Company Limited	United Kingdom
Trident Feeds	United Kingdom
Westmill Foods Limited	United Kingdom
Weston Research Laboratories Limited	United Kingdom
Retailing activities	
Crazy Prices	United Kingdom
Power Supermarkets Limited	Republic of Ireland
Primark	Republic of Ireland
Primark Stores Limited	United Kingdom
Stewarts Supermarkets Limited	United Kingdom
Investment holding companies	
CWII Limited	Jersey, Channel Islands
Eastbow Securities Limited	United Kingdom
Serpentine Securities Limited	United Kingdom

Group interest is 100% except where indicated.
Each subsidiary operates mainly in its country of incorporation.

Investments

PRINCIPAL ASSOCIATED UNDERTAKINGS	Country of incorporation	Issued ordinary share capital Total	Group percentage
Wesmilk Pty Limited	Australia	A$500,000	50
C Czarnikow Sugar Limited	United Kingdom	£1,000,000	42

There is no loan capital in any of the associated undertakings.
Each associate operates mainly in its country of incorporation.

OTHER INVESTMENTS			
Berisford plc	United Kingdom	£75,780,333	7

Directors' Interests

Beneficial interests
The directors of the company at the end of the year had the following beneficial interests, including family interests, in the shares and debentures of the company, its holding company, its fellow subsidiaries and subsidiary undertakings.

	14 September 1996	17 September 1995
Garry H Weston		
Wittington Investments Limited, ordinary shares of 50p	4,925	4,925
Associated British Foods plc, ordinary shares of 5p	693,324	693,324
George Weston Foods Limited, ordinary shares of 5 cents	2,017	2,017
W G Galen Weston		
Wittington Investments Limited, ordinary shares of 50p	37,953	37,953
Associated British Foods plc, ordinary shares of 5p	6,446,092	8,246,092
Harold W Bailey		
Associated British Foods plc, ordinary shares of 5p	160,000	160,000
David N C Garman		
Associated British Foods plc, ordinary shares of 5p	2,000	2,000
Peter J Jackson		
Associated British Foods plc, ordinary shares of 5p	20,000	20,000
Trevor H M Shaw		
Associated British Foods plc, ordinary shares of 5p	95,710	95,710
Donald J Tidey		
Associated British Foods plc, ordinary shares of 5p	200,000	200,000
Rt Hon John R R MacGregor		
Associated British Foods plc, ordinary shares of 5p	2,325	nil

Share Options
Details of options to purchase ordinary shares in Associated British Foods plc are given in note 4 on page 35.

Controlling interest
As explained in note 30 on page 43 the ultimate holding company of Associated British Foods plc is Wittington Investments Limited, which holds 50.9% of the total issued ordinary share capital.

Non-beneficial interests
The directors of the company at the end of the period had the following non-beneficial interests:

1 Garry H Weston and W G Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 14 September 1996 held 683,073 ordinary shares of 50p (1995 – 683,073) in Wittington Investments Limited.

2 Harold W Bailey and Garry H Weston are trustees of trusts, in which they have no beneficial interest, which at 14 September 1996 held 1,583,938 ordinary shares of 5p (1995 – 1,583,938) in Associated British Foods plc.

3 Garry H Weston is a trustee of a trust, in which he has no beneficial interest, which at 14 September 1996 held 400,000 ordinary shares of 5p (1995 – 400,000) in Associated British Foods plc.

Subsequent changes
The interests shown above remained the same at 1 November 1996.

The comparative number of shares in Associated British Foods plc for 1995 has been restated following the one for one bonus issue in December 1995.

Progress Report

Year ended 1987 £m	Saturday nearest to 15 September	1992 £m	1993 £m	1994 £m	1995 £m	1996 £m
	Turnover					
1,925	Continuing operations	3,954	4,386	4,478	4,894	5,707
277	Discontinued operations	–	–	–	–	–
2,202		3,954	4,386	4,478	4,894	5,707
	Operating profit					
120	Continuing operations	269	273	306	335	395
8	Discontinued operations	–	–	–	–	–
128		269	273	306	335	395
4	Profit on sale of property	2	4	4	–	6
	Continuing operations					
371	Profit/(loss) on sale or termination of business	(8)	–	–	–	–
70	Investment income	67	83	21	69	54
–	Profit/(loss) on investments	(22)	12	23	–	–
573	Profit on ordinary activities before interest	308	372	354	404	455
(8)	Interest payable	(41)	(34)	(30)	(29)	(25)
565	Profit on ordinary activities before taxation	267	338	324	375	430
(112)	Tax on profit on ordinary activities	(96)	(104)	(63)	(119)	(144)
453	Profit on ordinary activities after taxation	171	234	261	256	286
(2)	Minority interests	(5)	(6)	(6)	(6)	(8)
451	Profit for the financial year	166	228	255	250	278
55.1p	Earnings per share	18.5p	25.4p	28.4p	27.8p	31.0p

British Sugar plc was acquired in January 1991.
The above figures exclude the results of operations disposed of as part of the group reorganisation in 1994.
The earnings per share for 1995 and prior have been restated following the one for one bonus issue in December 1995.
The total earnings per share for 1987 were 55.1p per share. Of this, 45.3p arose from the profit on the sale of the Fine Fare group of companies.

To all Shareholders: ____

NOTIFICATION OF THE COMPANY HAVING PASSED A DIRECTORS' RESOLUTION RELATING TO CREST

This is to notify you that, in accordance with the Uncertificated Securities Regulations 1995 ("the Regulations"), the Directors have resolved that title to the Company's ordinary shares of 5 pence each, in issue or to be issued, may be transferred by means of a "relevant system", as defined in the Regulations (which at present, in practice, means the CREST system).

Explanatory Note:

1. The Directors' resolution will enable the Company's ordinary shares to join CREST in due course. CREST is the new computerised system for settling sales and purchases of shares. Once shares have entered the CREST system, they will be transferred by electronic means and there will be no share certificates in relation to them. **However, CREST is a voluntary system and no-one will be forced to use it. So, shareholders who wish to retain their share certificates will be able to do so and need take no action.**

   Enclosed is a leaflet which provides a brief explanation of the CREST system and how you can obtain further information about using the system if you should so wish.

2. The effect of the directors' resolution will be to disapply, in relation to the ordinary shares, those provisions of the Company's articles of association that are inconsistent with the holding and transfer of those shares in CREST and with any provision of the Regulations, as and when the shares enter the CREST system. The resolution will become effective immediately prior to CRESTCo Limited (the operator of the system) granting permission for the Company's shares to be transferred by means of the CREST system.

3. It is currently anticipated that the Company's ordinary shares will be granted permission to join the system on 17 March 1997.

Notice of meeting

Notice is hereby given that the sixty-first annual general meeting of the company will be held at the New Connaught Rooms, Great Queen Street, London WC2 at 11.00 a.m. on Friday 6 December 1996.

1 To receive and consider the financial statements for the year ended 14 September 1996 and the reports of the directors and auditors thereon.

2 To re-elect Mr M Clark as a director.

3 To re-elect Mr H W Bailey as a director.

4 To re-elect Mr P J Jackson as a director.

5 To re-elect Mr D N C Garman as a director.

6 That KPMG Audit Plc be and are hereby appointed auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders, at a remuneration to be determined by the directors.

As special business to consider and, if thought fit, pass the following resolutions of which resolution number 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution.

7 That the board be and it is hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to a maximum of 300 million ordinary shares of 5p each during the period from the date of the passing of this resolution up to and including 5 December 2001 on which date such authority will expire, provided that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

8 That, subject to the passing of the preceding resolution no. 7, the board be and it is hereby empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the preceding resolution number 8 as if sub-section (1) of section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an issue in favour of ordinary shareholders where equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as can be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate of 45 million ordinary shares of 5p each,

and shall expire on the date of the next annual general meeting of the company after the passing of this resolution or 31 December 1997, whichever comes first, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

By order of the board
THM Shaw Secretary
Weston Centre, Bowater House
68 Knightsbridge London SW1X 7LQ

4 November 1996

Notice of meeting continued

Notes

1. **Resolutions 7 and 8**
   The Companies Act 1985 prevents directors allotting unissued shares without the authority of shareholders in general meeting. At the annual general meeting held in December 1995 shareholders gave the directors a general authority to allot shares up to a limit not exceeding one third of the number of shares in issue. The authority is valid for the maximum period of five years as permitted by the Companies Act and expires in December 2001. The directors, however, propose to renew this authority every year asking, on each occasion, for the authority to be granted for a further period of five years. Resolution 7 will authorise the directors to allot substantially of the present unissued ordinary share capital, which represents approximately 25% of the company's authorised share capital, at any time within the next five years. The proposed renewal of the authority should not be taken as an indication that the directors have any current plans to make an issue of shares.

   Where shares are allotted pursuant to a general authority as provided in Resolution 7 and shareholders are required to pay for them in cash, that allotment is subject to section 89 of the Companies Act, which requires new shares to be offered first to existing shareholders in proportion to their existing holdings. There may, however, be circumstances where directors wish to allot shares for cash other than by way of rights issue and this cannot be done unless shareholders have first waived their pre-emption rights. Resolution 8 asks shareholders to do this by allowing the directors to allot for cash (a) by way of a rights issue to all shareholders (subject to certain exclusions) and (b) up to 5% of the company's present issued ordinary share capital to persons other than existing shareholders. By setting the 5% limit, interests of existing shareholders are protected as their interest in the company cannot, without their agreement, be reduced by more than 5% by the issue of new shares to new shareholders.

2. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote, instead of him. A proxy need not be a member of the company.

3. To be effective, the instrument appointing a proxy must be deposited at the registered office of the company or with the company's registrar not later than 11.00 am on Wednesday 4 December 1996.

4. The register of directors' interests in the ordinary shares of the company will be available for inspection at the registered office of the company during normal business hours on any weekday (Saturdays excepted) from the date of this notice until the date of the annual general meeting and at the New Connaught Rooms 15 minutes prior to and during the meeting. Other than Mr M Clark, no director has a contract of service with the company which is not determinable within one year without payment of compensation or which contains provisions for predetermined compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

5. Appointment of a proxy will not prevent a member from attending and voting at the annual general meeting should he decide to do so.

6. This notice is sent to holders of the deferred shares for information only.