Company No.
293262

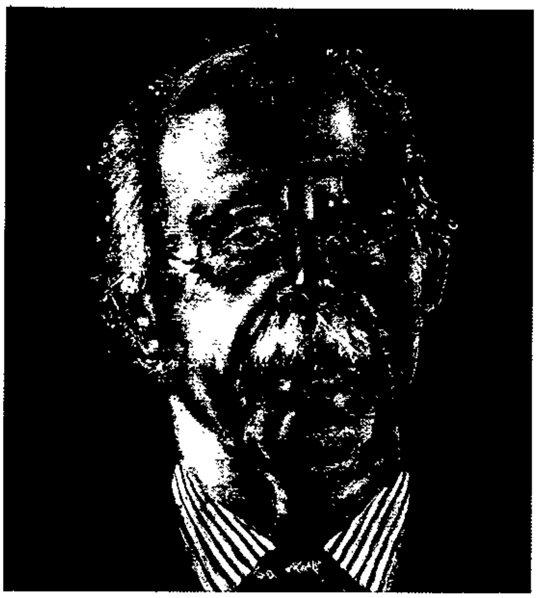
Associated British Foods

Report & Accounts 1998

Annual Report and Accounts 1998

Contents

The Chairman's Statement



Garry Weston

In a year of global economic turbulence the ABF group has demonstrated its financial strength and resilience to adverse operating conditions. Group profit before tax was £391 million. This was achieved despite the £37 million impact of the continuing high levels of sterling and the provision for exceptional costs of £19 million. After excluding the profit arising from the 1997 sale of our Irish food retailing interests and our adhesives business in Australia totalling £424 million, the comparable profit before tax was £426 million.

Group turnover of our continuing operations at £4,195 million is £242 million below last year. After allowing for the adverse currency effect of £277 million and the closure of a high volume but low margin European commodity trading operation last year, sales show an underlying increase of 6 per cent.

British Sugar contributed profits of £151 million, £28 million below last year. The benefits of another excellent harvest and past capital investment programmes were more than offset by the appreciation in the Green Pound and the full provision for the recently announced European Commission fine.

Shareholders will have read in the newspapers that the European Commission has imposed a fine of Ecu 39.6 million, equivalent at current exchange rates to £28 million, on British Sugar plc pursuant to Article 85 of the European Treaty. This was in respect of matters which occurred between 1986 and 1990, prior to Associated British Foods plc acquiring ownership of British Sugar. British Sugar is to appeal against this decision which we believe to be out of all proportion to the alleged offence. Including an additional charge of £13 million in the current year taken as an exceptional charge, full provision has been made for the fine.

Results from our milling and baking divisions were adversely affected by the poor 1997 harvest and continuing surplus capacity in the plant baking market. Rationalisation and restructuring of our bakeries continues and during the year provision was made for the closure of our Nottingham bakery.

Our animal feed division, ABN, has continued to suffer from the after effects of the BSE crisis and the financial pressures on farmers, who are struggling with low prices due to oversupply.

Other manufacturing divisions within the UK largely produced results in excess of last year. Twinings had a record year in spite of the strength of sterling in the markets in which they operate and achieved best ever sales volumes in Europe. However, Burtons Biscuits came under pressure from greater competition from local manufacturers in export markets and the dramatic decline in the Russian economy and as a result profits were lower than the record achieved last year.

Primark, our clothing retail operation, has gone from strength to strength returning another year of record profits, up by 26 per cent to £23 million on a turnover of £295 million, up 16 per cent on the comparable period last year.

George Weston Foods, operating in Australia and New Zealand, had a particularly difficult year in an aggressive competitive environment particularly in the baking industry. Profits were reduced from £33 million to £25 million although £6 million of this reduction is attributable to currency translation following the weakness of the Australian dollar.

In the United States, AC Humko and Abitec have had a remarkable year, generating profits of £19 million, a £10 million advance on last year due to our rationalisation and integration programme coming to fruition. Further small acquisitions complementing the existing business have been made during the year, which together with an ongoing capital expenditure programme, has increased our investment in the United States to over £200 million.

Investment opportunities in the Far East and Asia have been limited due to political and economic uncertainties. British Sugar has, however, secured a further investment in China, taking a majority shareholding in a sugar refinery. In view of the instability within Indonesia, we have agreed with our joint venture partner to mothball the newly built glucose factory in this country until a more favourable business climate returns. The investment has been written down in our books by £6 million which has been treated as an exceptional item.

Investment income for the year has increased from £72 million to £119 million, the main factors being a combination of a strong performance from our fund managers, who exceeded the targets set on the funds held under management, and the full year effect of the income arising on the funds realised upon the disposal of our Irish retail companies.

"Year 2000 and the millennium computer bug" headlines have been attracting attention for some time. The ABF group initiated a Year 2000 compliance programme in 1996/97 to address the group's exposure to these issues, with each division forming a committee to monitor compliance progress and to ensure that adequate resources are available either to replace or upgrade existing systems by early 1999.

A large proportion of the compliance effort has been in the normal upgrades and replacement of existing networks and production facilities. This expenditure has amounted to some £8 million during the current year, of which £5 million has been charged to operating profits. The balance has been capitalised in accordance with group accounting policies. It is forecast that future expenditure on Year 2000 remedial work will be some £15 million, of which £9 million will be charged against operating profits.

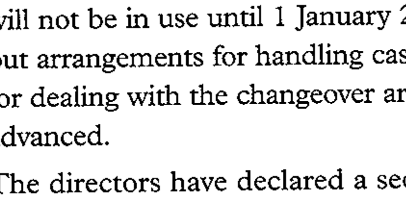
The Chairman's Statement continued

Whilst there can be no absolute guarantees that the group will not be subject to a Year 2000 failure, we are in the process of taking the necessary steps to ensure that contingency plans minimise disruption to our supply chain and to our customers.

On 1 January 1999 the Euro will become the official single currency of the eleven countries forming the European Monetary Union. Although the United Kingdom has, at present, opted out of the single currency, the group's subsidiaries based in those countries will be directly affected by the introduction of the Euro and have therefore made the necessary administrative and accounting arrangements to handle non-cash transactions in the new single currency where required. Euro notes and coins will not be in use until 1 January 2002 but arrangements for handling cash and for dealing with the changeover are well advanced.

The directors have declared a second interim dividend of 6.25p per share (1997 - 5.75p) which will be paid on 6 April 1999 to shareholders registered at the close of business on 5 March 1999. This makes a total dividend for the year of 10.5p, an increase of 5 per cent on the previous year excluding the special dividend payment.

Finally, I would like to express my gratitude to all my fellow employees for their support and commitment to the continued success of the company.



The Financial Review

Cash flow and net cash balances

Our net cash balances at 12 September 1998 amounted to £1,439 million, a decrease of £21 million during the year. However, this includes cashflows relating to the special dividend of £45 million announced last year and paid in the period under review and the acquisition of eleven businesses for a total consideration of £57 million. Together they account for some £102 million cash outflow.

Loans payable after one year amounting to £157 million include £150 million 10.75 per cent debenture stock, which matures in 2013, issued by British Sugar plc prior to its acquisition by the group in 1991. Short term funding requirements for our East European and Chinese subsidiary undertakings are largely funded by local borrowings, accounting for the majority of the short term loans issued and repaid in the year, as well as the increase in the group's secured loans to a total of £24 million.

Shareholders' funds

Ordinary shareholders' funds amount to £2,997 million, an increase of £80 million on last year. This increase is after deducting the £59 million exchange loss arising when translating into sterling the net assets of our overseas subsidiaries and the £32 million cost of goodwill arising on businesses acquired during the year.

Treasury

The group's cash and current asset investments totalled £1,640 million at the year end including £1,226 million placed with professional investment managers who have full discretion to act within closely monitored and agreed guidelines.

Investment guidelines are kept under constant review with the objective of monitoring and controlling risk levels. Guidelines require that investments must carry a minimum credit rating of AA- and also set down conditions relating to sovereign risk, length of maturity, exchange exposure and type of investment instrument. Aggregate limits for each category of investment and risk exposure are set for each manager.

The group's United Kingdom working cash balances and foreign exchange requirements are managed by a central treasury department operating under strictly controlled guidelines. Forward purchases or sales of foreign currencies may only be made against known commitments. Futures contracts used in commodity trading operations are tightly controlled within set limits. No other derivatives are used. The group treasury department also arrange term bank finance, as and when necessary, to finance the short term 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 investment

Capital expenditure for the year amounted to £226 million compared with £218 million in 1997 and at the year end there was a commitment for further expenditure of £51 million. The expenditure is principally to upgrade, modernise and expand existing facilities.

In addition, £57 million was spent on acquiring new businesses during the year, the purpose of which was to expand the product lines and capabilities of our existing businesses.

Taxation

The average rate for the year as disclosed by the profit and loss account is 32 per cent compared with 31 per cent a year ago. The tax rate has been, affected by an additional provision of £13 million that the group has made in relation to the European Commission fine imposed on British Sugar, which has been charged against operating profits and for which no tax relief has been assumed. Allowing for this factor brings the effective tax rate for the current year into line with last year.

Fixed asset investments

Investments in associates and joint ventures have been accounted for under the equity method in accordance with FRS 9 Associates and Joint Ventures. This replaces dividends received from these entities with our share of their operating profits, interest and taxation. The carrying value in the balance sheet represents our share of the entities' net assets and net liabilities.

The Operating Review

British Sugar

British Sugar enjoyed a record harvest resulting in a sugar production of almost 1.6 million tonnes. This was achieved as a result of a number of industry initiatives and ideal growing conditions, both of which helped to boost yields. For the first time United Kingdom yields were the third highest in the EU.

In the domestic sugar market, British Sugar's prices are based on a Common European Support Price denominated in ECUs. The continued strength of sterling caused one further price reduction during the year and this, together with the full year effect of the revaluations in the previous year, had a negative impact on profitability.

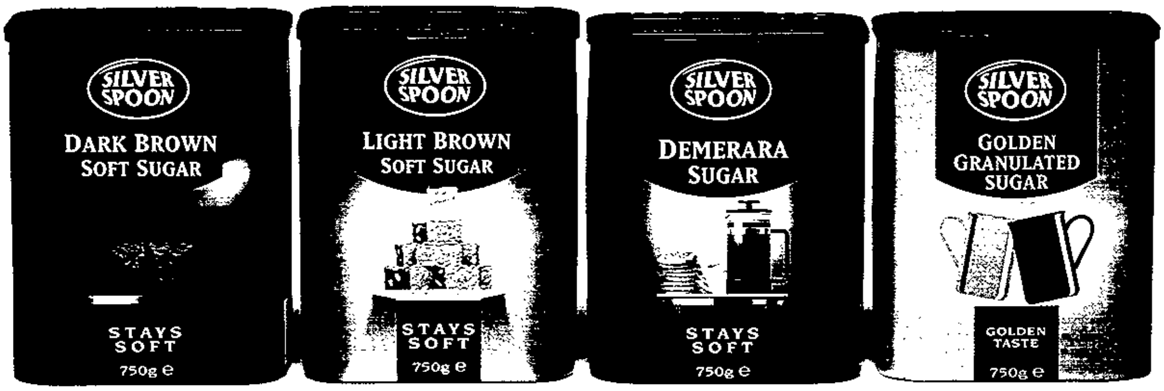
The industrial sugar market showed a small decline in volume during the year. In the retail market, our Silver Spoon company has operated in a market place where the long term decline continues unabated and this, together with competitive activity, has caused a reduction in revenue. The impact of this has been offset by growth in our market share and continued improvements in operational efficiencies throughout the business. A completely redesigned range of sugar packaging incorporating improved sealing was introduced in the summer of 1998.

The reductions in revenue have been partly offset by the record crop. All factories performed well and continued to reduce costs as a result of our policy of continuing to invest in improving efficiency. Capital expenditure was £45 million during the year and the commissioning of the combined heat and power plant at Wissington has now been completed. This plant will be fully operational during this campaign. A similar plant is now being completed at our Bury St Edmunds factory and this will be operational in the next campaign. These plants not only provide for our own energy needs, but enable us to sell surplus energy capacity. This is an important element in our costs as our factories require high levels of energy during the four months processing season, but considerably less at other times of the year.

Our sugar operations in Poland and China have both been adversely affected by the current low level of world sugar prices.

In Poland, the sugar market is oversupplied putting downward pressure on prices. Despite this and a reduction in quota at our SugarPol

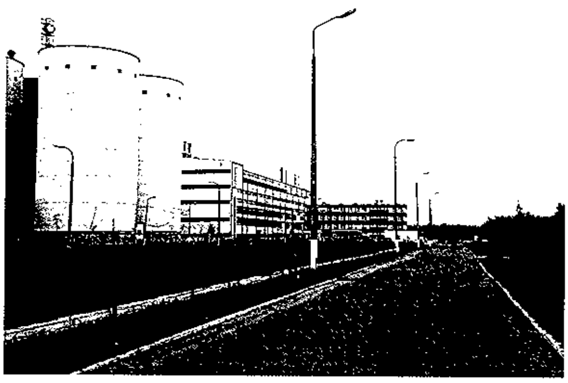
British Sugar's new packaging promoting four varieties of brown sugar.



factory following the general reallocation of quotas in Poland, we managed to achieve profits, helped by a good crop and continued efficiency improvements.

A 51 per cent interest in Glinojeck was acquired this year. Glinojeck was originally constructed in the early 1970s and, following our investment, it is now the largest sugar factory in Poland, and more than doubles our production capacity in that country.

In China our joint venture has also suffered from an oversupply in the sugar market which has depressed prices, affecting all producers. In Bo Qing we had a record campaign resulting from the extensive capital investment we had undertaken. A second joint venture was signed in the year at Bo Hua with an additional acquisition planned for the coming year.



Glinojeck, one of four sugar factories operated by the group in Poland.

Also in China, work is nearly complete on our 20,000 tonnes capacity dextrose plant in the Henan Province. It will produce dextrose primarily for intravenous use and commissioning is due to start in November 1998.

Our joint venture with Budi Acid Jaya in Indonesia is a victim of the current economic and political crisis there, and it has therefore been decided to delay commissioning of our major fructose and glucose plant near Jakarta. The plant is close to completion but commissioning will not begin until the political and economic environment has stabilised.

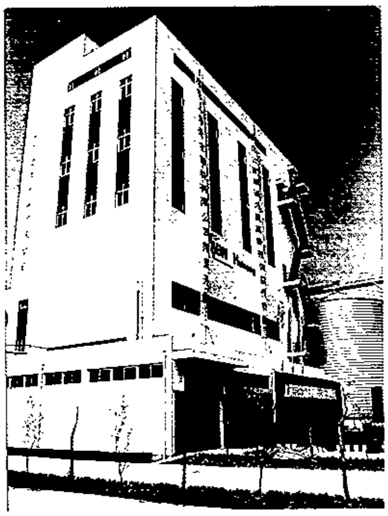
Germain's, our seed coating operation with production facilities in the United Kingdom, Ireland, USA and Poland, continues to improve profitability. Two further sugar beet pelleting plants were commissioned in the USA during the year and a Dutch vegetable and horticultural seed processor, IST, was acquired in January. This acquisition, with operations in Holland and Spain, broadens both the product and geographical spread of our operations.

ABN

Significant financial pressures on the livestock industry, together with a fall in raw material prices which particularly affected our Trident Feeds molassed sugar beet feed business, created difficult market conditions, particularly in the pig and cattle sectors. Despite this market background, all companies within ABN increased their market share of farm sales in the cattle sector, and Trident Feeds successfully sold a record volume of sugar beet feed.

The compound feed business in Northern Ireland continued to progress with benefits accruing from last year's acquisition of Jordans. Profitability in British Quality Pigs was hit by the unprecedented drop in finished pig prices. During the year, Bosworths, a pig processing operation, was acquired which enabled British Quality Pigs to offset some of this decline through the

The Operating Review continued



The animal feed mill at Shanghai, China.

unique value of its product range with a number of preferential supermarket contracts.

Overseas, the new feed mill in Shanghai was successfully commissioned earlier in the year and much progress has been made in collaboration with the local Agricultural Commission in improving the profitability of lean meat production in this part of China. ABN has also been successful, subject to final government approvals, in completing a joint venture in North East China making ABN one of the largest feed businesses in China.

ABR

Additional capacity coming on stream in Europe continues to depress prices for both starch and glucose. Further investment in glucose manufacturing has allowed ABR to extend its range of fully refined syrups.

The recent commissioning of a combined heat and power generation plant will allow ABR to generate sufficient electricity and steam for its own requirements. These plants are expensive to construct, but, as with British Sugar, ABR will be able to export surplus capacity to the national grid.

Cereal Industries

Allied Mills

The 1997 harvest was characterised by poor weather. Seed sowings of breadmaking varieties in the UK were at their lowest for some years and millers were forced to make up the shortfall with supplies from Germany and North America. While values for breadmaking wheat were high, the excess of poor quality varieties had a depressing effect on co-product prices.

The marketplace has been dominated during the year by the changes of ownership of a major competitor and the consolidation of the industry from three major millers to two. The recent decision by the Monopolies and Mergers Commission to require the purchase of the six mills to be unscrambled and for four of the mills to be sold by the purchaser will no doubt bring further uncertainty to the industry. We have taken the opportunity to increase our activity in a controlled and focused manner and the success of this approach can be demonstrated by the improvement in volumes achieved from third party sales. After the comparatively poor performance in biscuit flours in the early part of the year, the results are particularly pleasing.

Exports have held up very well despite the strength of sterling, although margins have suffered, particularly in the Republic of Ireland.

While the initial supply of breadmaking wheat varieties looked to be greater in the 1998 harvest, initial quality reports show that much of the crop has been affected by poor weather this summer, and will not now be usable in the miller's grist. Consequently bread wheat premiums are approaching similar levels to those seen last year.

On the technical front, Coronet Mill has now been in production for a full year and is meeting all our expectations. In the early part of the year the special products division was commissioned and has been operating successfully for some months and the cooked germ plant is now operating fully. Rankins Mill at Rochford reopened in August following the completion of a partial re-model, in line with our original programme.

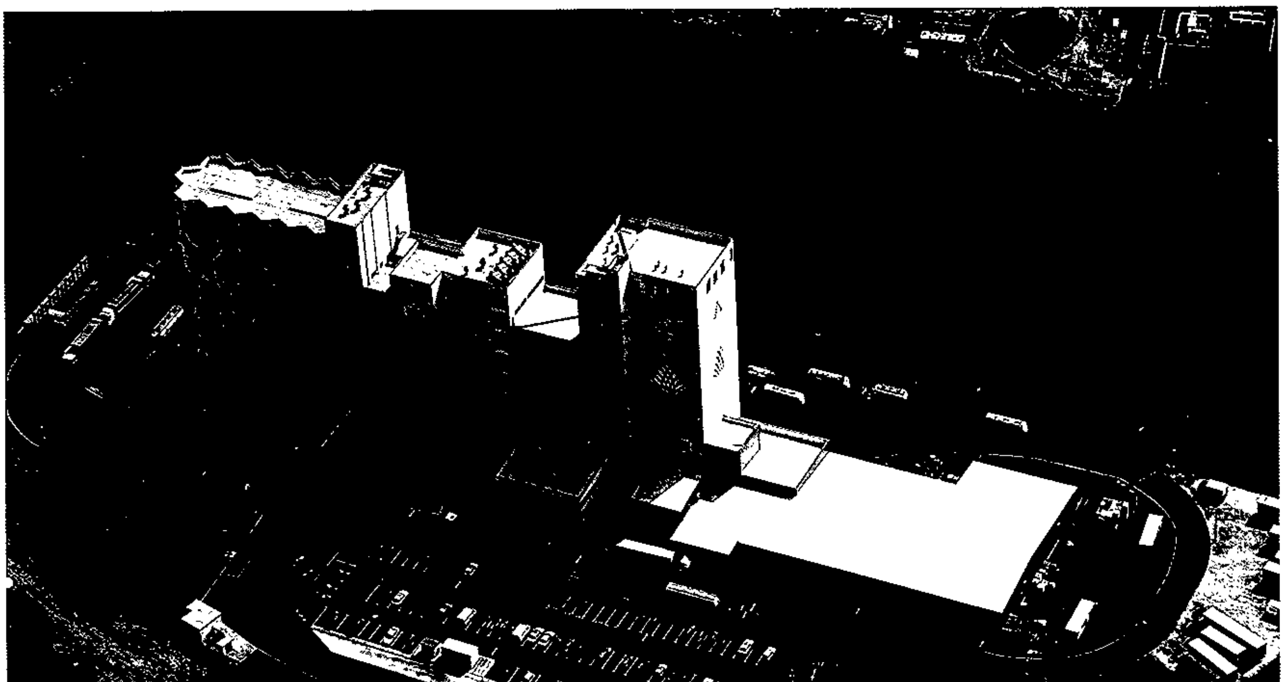
The major refit at Sunblest Mill, Tilbury is now well underway and remains on target in terms of cost and programme. During this financial year we ceased production at Ainscough Mill, Burscough. Our major programme of capital investment in new and remodelled capacity involving a commitment of some £65 million is now nearing completion.

Westmill Foods

Profits increased in this business despite a reduction in volumes in most commodities other than the muesli business. This was boosted by new packing formats introduced at the end of the previous financial year. There is little sign of competitive pressures easing in the marketplace, and this could have a serious effect on profitability in the 1998/99 year.

The Flour Division has enjoyed some improvement in gross profit margins as a result of retaining some of the benefits of lower material prices within the business. However, the loss of a major customer and the general decline in the pre-packed market has resulted in a significantly lower trading profit.

The new Coronet flour mill at Trafford Park, Manchester



The Operating Review continued

The retail rice business has also suffered a small reduction in volume, although the ethnic market has remained steady. Throughout the year the rice business has benefited from lower USA rice costs and favourable exchange rates. In the latter part of the year volume was defended against competitive activity at some cost to margins. New rice types and packaging have been introduced which are expected to show benefits in the new year.

Allied Grain

The merchandising business of the Allied Grain Group performed well against a background of falling commodity prices and a 1997 crop low in volume and quality. In the year our marketing initiatives, including seed buy back contracts, have proved extremely successful.

The 1998 crop has been higher in volume in the south east of the country, but conditions in Scotland have been appalling, which will reduce our planned profits in the coming year. Additionally, the increase in set-aside to 10 per cent will have an effect on seed and fertiliser sales in the new year.

The export business of Mardorf Peach has produced another extremely strong performance, having exported over one million tonnes for the second year running. The Weston Shipping Agency also produced an excellent result.

Profits at John K King continue to increase above expectations. Developments in new products and an expansion of the customer base should also help to ensure future growth for this company.

Fishers Group

The Fishers Feed business continued to increase market share and, with its two production facilities working to full capacity, has had to have some tonnage milled under contract. However, the division's own pig breeding units, like the rest of the industry, have suffered as a result of the collapse in pig prices and have reported a loss for the year.

The livestock trading businesses have produced profits in line with those planned. With farmers suffering losses on their herds however, the company is conscious that the next twelve months are going to be very difficult for many in the trade.

The feed ingredients business of Blended Feeds has recovered and has produced profits in line with those originally planned.

During the year Sullivan Poultry Group was acquired. This company, with chicken rearing and marketing interests, had an excellent performance in a year which saw a collapse in prices before a recovery towards the end of the year.

Allied Bakeries

In a market that remains both difficult and intensely competitive our bakery division has made steady progress during the past year. It has remained the leading supplier in this market and has one of the strongest brands in Kingsmill.

The trend towards greater concentration of bread and bakery product sales through a small number of influential and powerful retail supermarket groups continued during the year and was further reinforced by the merger of Somerfield and Kwiksave, who are now one of Allied Bakeries'

Kingsmill Country Gold. One of Allied Bakeries' successful premium breads.

major customers. In the independent sector it is the symbol and convenience store groups that are growing, and new outlets such as petrol station forecourts are becoming a significant factor.

In the early part of the year the move by consumers away from the standard bread towards premium products continued. In part, this sector growth was due to the continuing success of the Kingsmill Gold range which had been launched in the previous year. The Kingsmill brand remains the clear leader in the premium white sector and the launch of a malted wheat product, Kingsmill Country Gold, has started to establish a strong presence in the premium brown sector.

For several years the In-Store Bakery activities of retailers have made gains at the expense of the plant bread producers. During the past year the growth of In-Store Bakery volumes has stabilised and the retailers are showing increasing interest in using factory produced breads the final baking of which can be completed in store. Allied Bakeries is particularly well placed to benefit from this move.

One of the great benefits of Allied Bakeries' new four divisional structure, implemented at the beginning of the financial year, is the focus and dedicated management effort it allows in specialised product areas. In addition to bake-off, this focus has

The Operating Review continued

enabled us to strengthen our leading position as a supplier of bread to the fast growing sandwich makers from a dedicated facility in Sheffield, and has resulted in the acquisition of several new accounts.

Allied Bakeries continues to invest in new production plants to meet these needs, as well as maintaining and modernising existing plants. The new plant at West Bromwich, mentioned in last year's report, is now in production. A similar plant is being installed in Glasgow.

Speedibake

Major investment has taken place at Bradford, one of the three factories operated by Speedibake. A new plant for the production of french bread was commissioned together with major new warehouse facilities. In addition, a substantial increase in the capacity to produce new cake lines has been necessary to accommodate increased demand.

Overseas trading has been more problematical with exports being hit by new competitors, the strength of sterling and the trading difficulties of some of our customers.

Biscuits and Ryvita

The profits at Burtons, the biscuit and confectionery manufacturer, have been under pressure in both the home and export markets.

Exports have been subject to greater competition from overseas local manufacturers for whom the strength of sterling has created greater opportunities. To counter the loss of sales, Burtons has increased promotional

A tempting display of doughnuts produced by Speedibake, a major supplier in the United Kingdom.

activity in the home market and this is, inevitably, at reduced margins.

Export trade has also been reduced following the collapse of our distributor in Russia, whilst at home, the latest round of mergers amongst the major retailers also affected profits.

The recently developed confectionery business established in the Blackpool factory continues to grow successfully and further capital expenditure will increase our production capacity on both fruit gums and jellies.

The review last year drew attention to the improvements in profitability at The Ryvita Company, and this trend has continued. The year saw the launch in the home market of the new Ryvita Currant Crunch product, the first sweet variety for many years. Faced with the task of altering the consumer's perceptions of the brand, it has nonetheless performed to expectations and is now well established in the market.

Currant Crunch, newly launched by Ryvita.

The significant event in exports was the very successful launch of Ryvita in Russia, which quickly became the brand's biggest export market before political events intervened. Further steady progress was recorded in Scandinavia although the German market continued to be extremely difficult.

Crackerbread had another good year, with the Stockport factory achieving record profitability, and the company secured important new private label business in France at the end of the year.

Twinings

With near 80 per cent of total sales in overseas markets the Twining companies faced strong pressure during the year from the strength of sterling as well as the sharp contraction in many Far East economies. However, the Twining Group was able to maintain its sales growth in most markets and improved profits by 8 per cent over last year.

Raw tea costs increased during the year, mainly due to crop shortages resulting from climatic events in certain producing countries. Although the strength of sterling partially offset these raw material cost rises, it was necessary to pass unusually high price increases to overseas customers in order to preserve our margins. This action undoubtedly tested the brand loyalty of our consumers in many markets but without any major loss of sales at retail level. Against this background advertising and promotion costs were fully maintained during the year in all markets to support the Twinings brand.

The Operating Review continued

In these difficult conditions our European distribution companies, particularly in France, achieved excellent results. All improved their performance over the previous year to contribute in total 29 per cent of Twining Group profits. Our US companies also increased sales and profits, assisted by new product launches aimed at the growing demand for herbal and health teas in this market.

In the United Kingdom we again achieved strong sales growth with further consolidation of Twinings as the brand leader in both the speciality and herbal tea markets. New products have been well accepted in both retail and food service sectors and we have recently commenced a major brand advertising campaign to support further growth in this market.

Yeast, Fats and Food Ingredients
Volumes, margins and manufacturing efficiencies all improved at Mauri Products, our yeast manufacturer. Sales to customers other than Allied Bakeries now account for two thirds of total turnover, justifying the heavy capital investment at the plant at Humberside.

Rowallan Creamery produced an increased volume of industrial margarines, but this growth was not sufficient to offset lower retail sales. Profits were also affected as the competitive market gave no scope for

The Twinings range is familiar throughout the world.

recovering increases in raw materials prices.

AB Ingredients produces for both the bakery and the confectionery markets, and, once again, both sales and profits set new records for the company. With price increases difficult to achieve, the growth in both markets has come from improved efficiency, an ever improving range of products and the increasing acceptance of our products by customers outside the group.

AB Technology has been operating close to capacity in both the emulsifier plant and the new organic esters plant which has completed its first full year of operation.

In August 1998, Abitec in the United States purchased Roland Industries in St Louis, Missouri, a well established manufacturer of bakery ingredients, and this is the first stage in our plans to replicate overseas our success with these products and services in the United Kingdom.

The existing Abitec plant in Wisconsin is developing a number of new products following the successful introduction of our products into a major pharmaceutical application. The personal care sector has been this year's fastest growth area and new contracts have been obtained for use worldwide. The provision of a new warehouse and laboratory will complete the redevelopment of the site.

Frozen Foods and Preserves

Despite very poor weather in the United Kingdom from Easter onwards, and the strength of sterling rendering exports uncompetitive, the ice cream companies succeeded in improving both sales and margins. Volume gains were achieved with most retail customers and product development generated new business.

Two new cold stores were completed during the Summer, one at Ashford and a smaller one at Calne. These investments should enable us to reduce the excessive storage costs incurred when cold weather disrupts the Summer sales pattern.

The sales of preserves made by Nelsons of Aintree fell as a result of decisions taken by some major retail customers. Already there are signs of this trade being recovered, aided by the successful re-launch of the Nelson Conserve Extra Jam range.

The company has been affected by reduced export demand particularly in the important Japanese and Asian markets. Sales of bulk jams to other manufacturers showed good growth, however, and the division's profitability was satisfactory.

Textile Retailing

Penneys in Ireland and Primark in the United Kingdom continued their strong performance with another record year. The stores offer exceptional value, and the company is highly efficient in its control of merchandise, stockholdings and costs. Sales in local currency terms in all regions increased by at least 20 per cent, of which like-for-like growth accounted for 18 per cent. Tight financial management led to an improvement in net margins and profits growth of 26 per cent.

The store portfolio has been expanded steadily over recent years with three new stores opened during the year and another three refitted. Opportunities for

The Operating Review continued

Penneys newly refurbished store at O'Connell Street, Dublin.

further expansion are being pursued in sites which fit with the group's long term investment and marketing strategy.

Glass Manufacture

The glass bottle manufacturing industry is going through an unsettled time in the United Kingdom with production capacity set to increase substantially whilst mergers amongst major customers are resulting in changed purchasing policies.

Both of our companies, Lax and Shaw and Greggs have been able to match their production to the customers' requirements and we have also had some success in arranging longer term contracts.

Sales and profits stagnated at both companies as a result of the short-term uncertainties in the development of the industry, but increased efficiencies and productivity combined with a long-term capital investment in upgraded facilities leave them well-placed for the future.

The United States

The AC Humko business continues its substantial programme of growth. Product volumes showed a 30 per cent increase on the prior year. This growth was generated by an increase in the base business together with the effect of new acquisitions.

During the current year, four further acquisitions have been made together with an alliance with Bionutrics, Inc., a biopharmaceutical company in Arizona.

Of these acquisitions, two extended the existing edible oil business and strengthened our national market presence, and two took AC Humko into the rice processing industry. In December 1997 we purchased Crow Agricultural Interests, and in July a major rice mill was purchased in Greenville, Mississippi, a significant rice growing area. These acquisitions provide the opportunity to expand Humko's product lines and complement our presence in the retail and foodservice sectors.

Financial results from AC Humko continue their impressive trend. The acquisitions contributed to this growth with profits well ahead of plan. Increased sales volumes and manufacturing efficiencies generated a substantial improvement in profit from the existing business.

Australia and New Zealand
Results from George Weston Foods were disappointing, in general reflecting difficult trading conditions, particularly in the bread market and those sectors exposed to weak Asian demand.

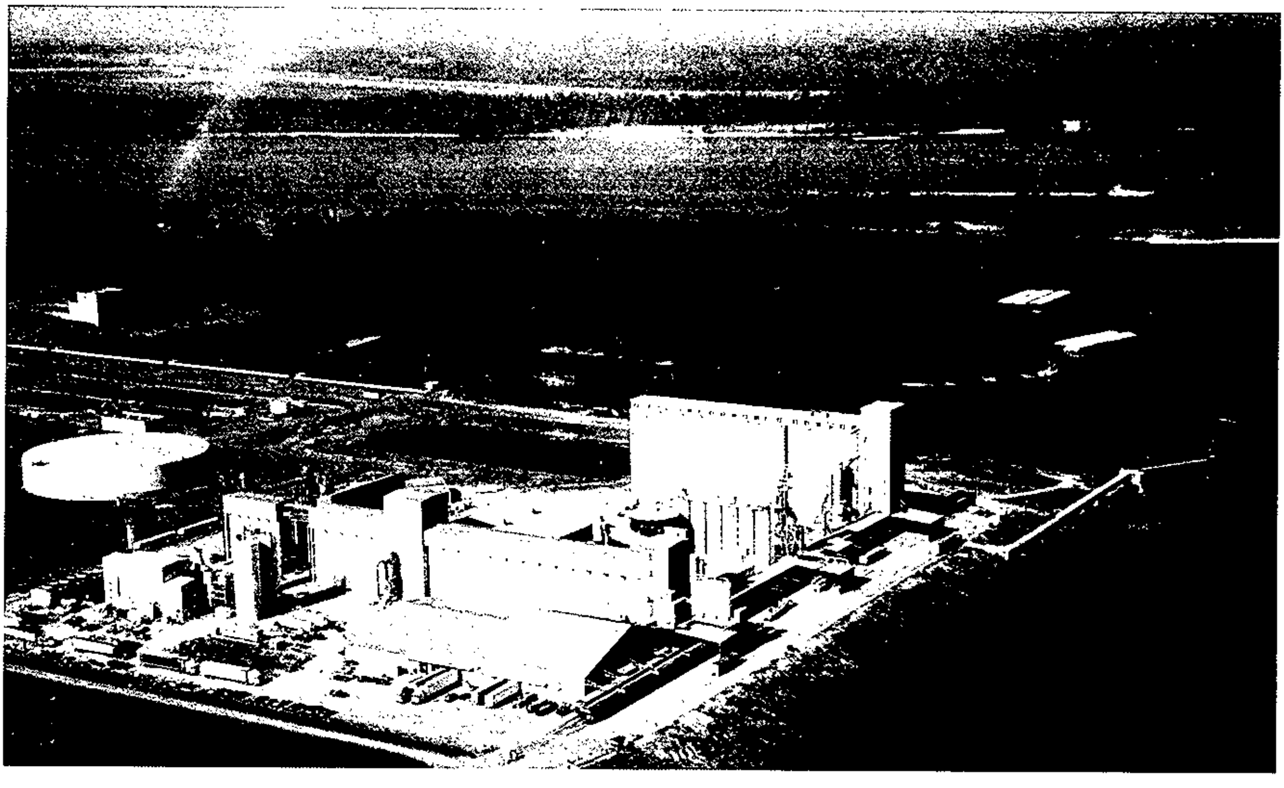
Bread Division
The year has seen a particularly difficult operating environment with the issues of market maturity, excess capacity, declining proprietary bread sales and an aggressively competitive environment continuing to impact on the division together with the further growth of in-store bakery bread sales.

Major new product activity centred around the launch of "The White Stuff", a new product with nutritional benefits in the white bread sector.

The grain bread category has experienced strong growth following the launch last year of Burgen's Soy and Linseed Loaf. Sales of this product have reached record levels with the Burgen brand virtually creating a new national category.

Other brands which continue to enjoy market leadership include Tip Top Bakeries' range of muffins and fruit breads. The Golden brand continues to be very successful in the hotplate sector. The "meal and snack solution" concept introduced this year has grown both the brand and the entire category.

The Greenville, Mississippi rice mill which was acquired in July 1998.



The Operating Review continued

Weston Cereal Industries

Milling volumes continued to grow, assisted by strong export sales due to Australia's current competitive position in the world markets. Margins were, however, subject to severe competition.

Cereform, the bakery additives and ingredients business, continued to introduce new products to the market and to provide innovative technical input into the Group's baked products, in particular the Burgen High-Bake range and the Iron Fibre Plus premix incorporated into "The White Stuff" bread.

The Kitchen Collection retail range continued to establish itself as a leading brand of mixes for home bread ovens. The "one stop shop" concept, offering a complete range of ingredients, additives and supply items to bakeries, was extended after its initial launch to other independent bakers.

The year has seen the start of major capital expenditure programme aimed at refurbishment and expansion of the Adelaide flour mill, construction of a new semolina mill in Brisbane, and reconstruction and expansion of our New South Wales mill to serve the starch flour requirements of the Group's Bioproducts plant in Victoria.

It is anticipated that the export environment will become tougher in the coming year. Record grain crops around the world may result in increased subsidies on exports from the European Union and United States. If subsidies return to the levels of three years ago, Australia's current competitive advantage in export markets will quickly dissipate. The bright spot remains Japan, where premium products from Australia's "clean, green" raw materials are continuing to grow.

Biscuits and Cake

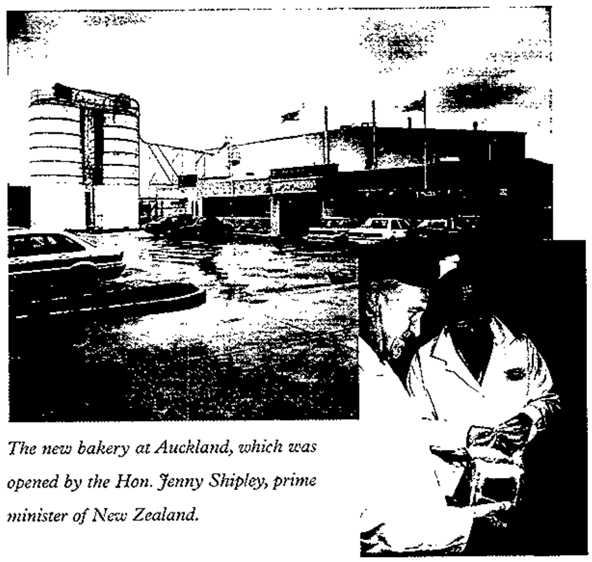
Innovation in the important chocolate biscuit segment continued with new products, quality improvements, and improved presentation. A new product, Fruit Clusters, replaced the longserving Choc Fruit Bars whilst Wagon Wheels continue to grow strongly.

The major event in chocolate biscuits this year, however, was the highly successful launch of Weston's Quatro. The launch was supported with an extensive campaign including television, sampling and in-store demonstrations.

Rationalisation of production across factories within the Division has accelerated during the year. Consolidation of production for particular products has facilitated greater specialisation and efficiency together with quality improvement.

New Zealand

Trading conditions continued to be highly competitive for most products,



The new bakery at Auckland, which was opened by the Hon. Jenny Shipley, prime minister of New Zealand.

particularly flour and bread. Despite the adverse effects of the major fire in May 1997 which totally destroyed the Auckland Bakery, the bread business has continued to make volume gains, supported by a number of marketing initiatives. The Auckland Bakery has been rebuilt on a new site and production has recommenced. South Island capacity was greatly increased by the purchase of the "Champion" mill early in the financial year.

Meat and Dairy

The Meat and Dairy Division performed satisfactorily despite difficult trading conditions in the last six months of the financial year caused by the collapse of pig prices in Australia.

Melosi Fine Foods opened branch operations in Queensland. In addition, sales in New South Wales continued to grow due to improved product distribution.

Alaska Foods has been working closely with the retail trade in the development and test marketing of chilled meals in the growing home meal category.

Capel Dairy, whilst processing record milk flows, has been affected by the Asian crisis resulting in lower prices for both domestic and export sales. In August 1998, the Group acquired the remaining 50% of Wesmilk Pty Limited from its joint venture partner.

The Division continues to invest in new technology. During the year, "state of the art" ham filling lines were installed at two sites, a new packaging line was installed and bacon processing equipment is currently being commissioned.

Bioproducts and Cleaning Products

The year saw further growth in sales and the continued integration of the Altona (Victoria) starch plant, which was acquired last year. Domestic carbohydrate pricing has, however, remained flat due to the competitive nature of the market place. Margins were affected by high world wheat prices at the commencement of the financial year.

The international gluten market is undergoing a period of change and a three year quota on European gluten imports into the US has recently been imposed which should benefit Australian gluten exporters.

Consolidation of the cleaning products business was largely completed during the year allowing for some further expansion of Jasol's customer base in the latter half of the year. New products and dispensing systems have been developed for the food processing and medical areas which will allow increased market penetration.

The Directors of the Company

Executive Directors

Mr GH Weston (aged 71)
Mr Weston has been Chairman of Associated British Foods since 1967, and a director of the company since 1949. Between 1962 and 1967 he was a director of George Weston Foods Limited, Australia and Chief Executive of that company's Biscuit and Cake operation.

Mr HW Bailey (aged 62)
Mr Bailey has been a director of Associated British Foods since 1979 and Deputy Chairman from April 1996. He is a member of the Institute of Chartered Accountants of Scotland.

Mr THM Shaw (aged 64)
Mr Shaw has been a director of Associated British Foods since 1979. He is a solicitor and is Company Secretary of the company. His principal responsibilities are the legal and secretarial functions of the group.

Mr PJ Jackson (aged 51)
Mr Jackson has been a director of Associated British Foods since 1992. He has continued to be Chief Executive of British Sugar since British Sugar was acquired by ABF in 1991.

Mr DNC Garman (aged 46)
Mr Garman has been a director of Associated British Foods since 1993. He is Chief Executive of Allied Bakeries Limited.

Mr GH Weston, Rt. Hon. JRR MacGregor and Professor Sir Roland Smith are members of the Audit and Remuneration Committees.

Non-Executive Directors

Mr WG Galen Weston (aged 58)
Mr Galen Weston has been a director of Associated British Foods since 1964. He is President of George Weston Limited, Canada, a director of Canadian Imperial Bank of Commerce and Chairman of Holt, Renfrew & Co.

Rt. Hon. John RR MacGregor (aged 61)
Mr MacGregor has been a director since 1994. He is a Member of Parliament and Privy Councillor and has held several Cabinet posts. He is a director of Slough Estates plc, Unigate plc and Friends Provident.

Professor Sir Roland Smith (aged 70)
Professor Smith has been a director since 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 is a director of several prominent public companies including Manchester United plc.

Report of the Directors

The directors submit to the members their sixty third annual report together with the financial statements of the company for the year ended 12 September 1998.

Profits and dividends
The group profit and loss account is on page 28. Profit for the financial year amounted to £265 million and the dividends to £94 million. Dividends are detailed in note 9 on page 39.

Review of activities
The activities of the group principally concern the processing and manufacture of food in Europe, Australia and the United States, as well as textile retailing in the United Kingdom and the Republic of Ireland. The group disposed of its food retailing businesses during the previous financial year. Comments on the development of the business during the period under review and on the future outlook are contained within the Chairman's statement on pages 2, 3 and 4 and in the Operating review of activities on pages 6 to 19.

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 29 on page 45.

On 24 April 1997 the company was notified that The Patrimony Fund Limited is the beneficial owner of 27,802,444 shares representing 3.09 per cent of the issued ordinary shares in the company. The holding remains unchanged at 2 November 1998.

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

Power to issue shares
At the last annual general meeting held on 5 December 1997, 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 4 December 2002. No such shares have been issued. The directors propose to renew this authority at the annual general meeting to be held on 4 December 1998 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 4 December 1998 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.

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.

Report of the Directors continued

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 particular aptitudes and abilities in relation to jobs available. Every attempt is made to give those who become disabled during the period they are employed by the Company an opportunity to be trained and redeployed.

Directors

The names of the persons who at any time during the financial year were directors of the Company appear on page 20 and a schedule of their interests in the shares of the group appears on page 49.

In accordance with the Articles of Association, Mr WG Galen Weston, and Professor Sir Roland Smith retire from the board by rotation and, being eligible, offer themselves for re-election.

Professor Sir Roland Smith, a non-executive director of the company, attained the age of 70 in October 1998.

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.

No director has a contract of service with the company which is not determinable within one year without payment of compensation.

The Environment

Policy

As a responsible employer, the group is conscious of its position and role within the community and is committed continually to improving its environmental performance.

In meeting this objective, each group company has responsibility for its own environmental policy, which will:

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

Review of Environmental Activities

In addressing the above policy, the wide diversity of commercial interests within the group is recognised. The potential environmental impact of group companies is dependent on the nature of their trading operations and, as a result, each company takes an individual approach to managing environmental activities, concentrating on issues specific to its business.

The commercial interests of Associated British Foods span the wide agri-food chain from "plough to plate" and measures which have been implemented to minimise environmental impact range from controlling post-harvest pesticide treatment of crops to recovery and recycling of waste packaging. Procedures to manage these issues depend on the nature and scale of operations and range from formal, externally accredited, Environmental Management Systems to informal and subjective risk assessments.

Key areas of environmental activity include energy conservation, water usage, management of effluent, transport, packaging and design, recycling, dust emissions and noise.

Recent examples of achievements in each of these areas across the group are:

- Group companies have participated in regional co-operative schemes in waste minimisation.
- major new capital projects are subject to environmental impact assessments.
- Combined Heat and Power plants have been installed at major sites.
- installations of new boilers and ovens are designed to achieve greater energy efficiency and reduce emissions into the atmosphere.
- significant reductions have been made in:
  - levels of nitrogen fertilisers applied to sugar beet.
  - water usage in sugar and jam manufacturing.
  - energy usage throughout the group.
  - effluent produced throughout the group.
- CFCs (chlorofluorocarbons) used as refrigerants are being phased out.
- glass recycling has almost doubled in the last 3 years.
- CIP (clean-in-place) systems have been improved.
- packaging needs have been minimised by increased bulk handling and introduction of reusable containers.
- initiatives have been taken to improve the efficiency of transport and distribution operations.
- factory waste is being segregated to:
  - provide food waste for animal feeds.
  - enable packaging waste to be recycled.
  - reduce quantities of solid waste sent to landfill.

A working group, comprising representatives from all group companies, has been established to share expertise and best practice and to develop practical approaches to waste minimisation and other similar projects.

In continuing to review and take action to improve the environmental performance of its companies, Associated British Foods recognises that efficient use of resources can also be cost-effective. Future success in reducing the environmental impact of its activities will demonstrate the group's continued commitment to a safe and efficient agri-food chain.

United Kingdom charitable and political contributions

Contributions to charitable organisations in the group during the year totalled £0.2 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 at the time 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.

Associated British Foods plc has no trade creditors.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

THM Shaw

T H M Shaw Secretary
2 November 1998

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. Mr 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 annexed to 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 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 annexed to the Stock Exchange Listing rules. All directors have contracts of service which do not exceed one year.

During the year the company granted share options to some 140 senior executives, including two directors. The options are exercisable between 2003 and 2008 at an exercise price of 561.5p, the market price on the date the options were granted.

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 are given in note 4 to the financial statements on page 37.

Internal Financial Controls
The directors are responsible for the group's systems of internal financial control which are 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 group'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 reporting directly to the Chairman. George Weston Foods Limited, is a quoted Australian public company having its own separate board, chaired by Mr Garry H Weston.

– Standards

  There are group 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.

  A significant part 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 28 to 48.

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 12 September 1998 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 24 and 25 on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the listing rules 12.43(j) and 12.43(v).

Basis of Opinion
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance 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 the company's 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 24 and 25 and going concern on page 25, in our opinion the directors have provided the disclosures required by the listing rules 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' statements on pages 24 and 25 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the listing rules.

KPMG Audit plc

KPMG Audit plc
Chartered Accountants
Registered Auditor
London

2 November 1998

Consolidated Profit and Loss Account

	Note	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 Continuing operations £m	Discontinued operations £m	Total £m
Turnover of the group including its share of joint ventures		4,202	4,437	766	5,203
Less share of turnover of joint ventures		(7)	–	–	–
Group turnover	*1*	4,195	4,437	766	5,203
Operating costs	*2*	(3,897)	(4,095)	(738)	(4,833)
Group operating profit		298	342	28	370
Share of operating results of – joint ventures		(3)	–	–	–
associates		2	–	–	–
Total operating profit	*1*	297	342	28	370
Operating profit before exceptional items	*1*	**316**	342	28	370
Exceptional items	*1*	**(19)**	–	–	–
Profits less losses on sale of properties		(3)	4	2	6
Profit on sale of businesses	*26*	–	4	420	424
Investment income	*6*	119	72	–	72
Profit on ordinary activities before interest		413	422	450	872
Interest payable	*7*	(22)	(21)	(1)	(22)
Profit on ordinary activities before taxation		391	401	449	850
Tax on profit on ordinary activities	*8*	(124)	(119)	(42)	(161)
Profit on ordinary activities after taxation		267	282	407	689
Minority interests – equity		(2)	(8)	–	(8)
Profit for the financial year		265	274	407	681
Dividends – interim	*9*	(94)	(90)	–	(90)
special interim	*9*	–	(45)	–	(45)
Retained profit for the financial year	*21*	171	139	407	546
Earnings per ordinary share	*10*	**29.6p**	30.3p	45.3p	75.6p

The group has made no material acquisitions within the meaning of the Financial Reporting Standards during either 1998 or 1997.

Consolidated Balance Sheet

		Note	As at 12 September 1998 £m	As at 13 September 1997 £m
Fixed assets				
Tangible fixed assets		*11*	1,439	1,396
Interest in net assets of –	joint ventures	*13*	3	–
	associates	*13*	6	–
Other investments		*13*	17	12
Total investments			26	12
			1,465	1,408
Current assets				
Stocks		*14*	428	416
Debtors		*15*	481	495
Investments		*16*	1,570	1,618
Cash at bank and in hand			70	50
			2,549	2,579
Creditors amounts falling due within one year				
Short term borrowings		*17*	(44)	(51)
Other creditors		*18*	(682)	(722)
			(726)	(773)
Net current assets			1,823	1,806
Total assets less current liabilities			3,288	3,214
Creditors amounts falling due after one year				
Loans		*17*	(157)	(157)
Other creditors		*18*	(13)	(15)
			(170)	(172)
Provision for liabilities and charges		*19*	(55)	(54)
			3,063	2,988
Capital and reserves				
Called up share capital		*20*	47	47
Revaluation reserve		*21*	3	4
Other reserves		*21*	173	173
Profit and loss account		*21*	2,774	2,693
Equity shareholders' funds			2,997	2,917
Minority interests in subsidiary undertakings – equity			66	71
			3,063	2,988

These financial statements were approved by the board of directors on 2 November 1998 and were signed on its behalf by:

Garry H Weston Director

Consolidated Cash Flow Statement

	Note	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 £m
Cash flow from operating activities	25	448	489
Dividends from joint ventures		1	–
Dividends from associates		1	–
Return on investments and servicing of finance			
Dividends and other investment income		113	76
Interest paid		(22)	(22)
Dividends paid to minorities		(2)	(12)
		89	42
Taxation		(127)	(148)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(226)	(254)
Sale of tangible fixed assets		10	23
Purchase of equity investments		(3)	–
Sale of equity investments		3	1
Purchase of own shares		(8)	–
		(224)	(230)
Acquisitions and disposals			
Purchase of new subsidiary undertakings	26	(57)	(48)
Advances to joint ventures		(1)	–
Purchase of associated undertakings		–	(5)
Sale of subsidiary undertakings	26	–	647
		(58)	594
Equity dividends paid		(135)	(85)
Net cash (outflow)/inflow before use of liquid funds and financing		(5)	662
Management of liquid funds	28	(107)	658
Financing	27	(11)	(12)
Increase in cash	28	113	16
		(5)	662

Consolidated Statement of Total Recognised Gains and Losses

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 £m
Profit for the financial year	265	681
Currency translation differences on foreign currency net assets	(59)	(53)
Total recognised gains and losses	**206**	628

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 12 September 1998		For the year ended 13 September 1997	
	Group £m	Company £m	Group £m	Company £m
Profit for the financial year	**265**	**166**	681	9
Dividends – interim	**(94)**	**(94)**	(90)	(90)
special interim	–	–	(45)	(45)
Retained profit/(loss) for the financial year	171	72	546	(126)
Other recognised gains and losses relating to the year	**(59)**	–	(53)	–
Goodwill acquired and written off during the year	**(32)**	–	(31)	–
Goodwill written back during the year	–	–	2	–
Net increase/(decrease) in shareholders' funds	80	72	464	(126)
Opening shareholders' funds	2,917	232	2,453	358
Closing shareholders' funds	2,997	304	2,917	232

Balance Sheet of the Company

	Note	As at 12 September 1998 £m	As at 13 September 1997 £m
Fixed assets			
Investment in own shares		14	–
Shares in subsidiary undertakings	*24*	171	156
		185	156
Current assets			
Debtors	*15*	1,024	839
Investments	*16*	57	144
Cash at bank and in hand		23	19
		1,104	1,002
Creditors amounts falling due within one year			
Short term borrowings	*17*	-	(1)
Other creditors	*18*	(985)	(925)
		(985)	(926)
Net current assets		119	76
		304	232
Capital and reserves			
Called up share capital	*20*	47	47
Profit and loss account	*21*	257	185
Equity shareholders' funds		304	232

These financial statements were approved by the board of directors on 2 November 1998 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.

Basis of consolidation

The group accounts comprise a consolidation of the accounts of the Company and all its subsidiaries together with the group's share of the results and net assets of its associates and joint ventures. The financial statements of the company and its subsidiary undertakings are made up for the year ended 12 September 1998, except for those of the Australian and New Zealand group and China and Poland which are made up to 31 July 1998, and the North American subsidiary undertakings which are made up to 31 August 1998 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, associates and joint ventures attributable to the period since acquisition. The excess of the purchase price of new subsidiary undertakings, associates and joint ventures over the fair value of net assets acquired is written off against reserves in the year of acquisition.

Disposals

The results of subsidiary undertakings, associates and joint ventures sold are included up to the dates of change of control. The profit or loss on the disposal of an acquired business takes into account the attributable value of purchased goodwill relating to that business.

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.

Fixed asset investments

Associated undertakings and joint ventures are accounted for in the financial statements of the group under the equity method of accounting. Other fixed asset investments in the group's accounts, and all fixed asset investments in the accounts of the company, are stated at cost less amounts written off in respect of any permanent diminution in value.

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

Accounting Policies continued

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.

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

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 Continuing operations £m	Discontinued operations £m	Total £m
Turnover				
Geographical analysis (by origin and destination):				
European Union, mainly United Kingdom and Ireland	3,023	3,307	766	4,073
Australia and New Zealand	534	620	–	620
North America	557	453	–	453
Elsewhere, mainly Asia	81	57	–	57
Group turnover	4,195	4,437	766	5,203
Business sector:				
Manufacturing	3,900	4,181	–	4,181
Retail	295	256	766	1,022
Group turnover	4,195	4,437	766	5,203
Profits				
Geographical analysis (by origin):				
European Union, mainly United Kingdom and Ireland	268	289	28	317
Australia and New Zealand	25	33	–	33
North America	22	13	–	13
Elsewhere, mainly Asia	1	7	–	7
Total operating profit before exceptional items	316	342	28	370
Exceptional items – European Union	(13)	–	–	–
Elsewhere, mainly Asia	(6)	–	–	–
Total operating profit	297	342	28	370
Business sector:				
Manufacturing	293	323	–	323
Retail	23	19	28	47
Total operating profit before exceptional items	316	342	28	370
Exceptional items – Manufacturing	(19)	–	–	–
Total operating profit	297	342	28	370
Other net income	94	59	421	480
Profit on ordinary activities before taxation	391	401	449	850

Exceptional items arising in the year relate to an increase in provisions of £13 million for the British Sugar European Commission fine and a charge of £6 million for a write down within our joint ventures.

	For the year ended 12 September 1998 £m	Continuing operations £m	Discontinued operations £m	Total £m
Net assets				
Geographical analysis (by origin):				
European Union, mainly United Kingdom and Ireland	1,303	1,287	–	1,287
Australia and New Zealand	209	230	–	230
North America	188	148	–	148
Elsewhere, mainly Asia	84	45	–	45
	1,784	1,710	–	1,710
Business sector:				
Manufacturing	1,696	1,609	–	1,609
Retail	88	101	–	101
	1,784	1,710	–	1,710
Net financial assets	1,279	1,278	–	1,278
	3,063	2,988	–	2,988

Notes forming part of the Financial Statements continued

2. OPERATING COSTS

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 Continuing operations £m	Discontinued operations £m	Total £m
Cost of sales	**3,183**	3,380	565	3,945
Distribution costs	**537**	519	148	667
Administration expenses	**177**	196	25	221
Operating costs	**3,897**	4,095	738	4,833

	1998 £m	1997 £m
Operating costs are stated after charging:		
Staff costs	**543**	631
Depreciation of fixed tangible assets	**151**	156
Hire of plant and machinery	**6**	8
Rentals payable under property leases	**18**	16
Research and development	**9**	7

The remuneration of the auditors in respect of audit services provided to the group during the year was £2.0 million (1997 – £2.1 million) and £0.2 million (1997 – £0.2 million) in respect of services provided to the company. The remuneration of the auditors and their associates in respect of non-audit services to the company and its UK subsidiaries was £1.3 million (1997 – £1.4 million).

3. EMPLOYEES

	1998	1997
Average number of employees:		
European Union, mainly United Kingdom and Ireland	**21,825**	31,220
Australia and New Zealand	**7,115**	7,075
North America	**1,577**	1,399
Elsewhere, mainly Asia	**2,195**	677
	32,712	40,371

	£m	£m
Staff costs – wages and salaries	**502**	582
social security costs	**31**	38
other pension costs	**10**	11
	543	631

4. DIRECTORS' REMUNERATION

The remuneration of the directors was as follows:

	Salary or fees £'000	Benefits £'000	1998 Total £'000	1997 Total £'000
GH Weston (Chairman)	382	12	**394**	386
HW Bailey (Deputy Chairman)	107	13	**120**	332
THM Shaw	171	14	**185**	155
PJ Jackson	255	13	**268**	252
DNC Garman	209	13	**222**	214
WGG Weston	–	–	**–**	–
JRR MacGregor	20	–	**20**	20
R Smith	20	–	**20**	20
Former directors	–	–	**–**	2,606
	1,164	65	**1,229**	3,985

Benefits include the value attributed to benefits such as company cars, fuel and medical insurance.
DJ Tidey resigned from the board on 30 June 1997 and M Clark resigned on 10 September 1997.
DJ Tidey and HW Bailey each received a bonus in 1997 following the sale of the Irish food retailing business.

Pension benefits earned by the directors(1):

	Age at year end	Normal retirement age	Directors contributions in the year(3) 1998 £'000	1997 £'000	Increase in accrued pension entitlement during the year(4) 1998 £'000	1997 £'000	Accumulated total accrued pension at year end (or resignation date) 1998 £'000	1997 £'000
HW Bailey	62	65	**–**	4	**–**	4	**–**	162
THM Shaw	64	65	**8**	9	**7**	8	**110**	99
PJ Jackson	51	60	**–**	–	**10**	8	**105**	86
DNC Garman	46	62	**10**	11	**3**	4	**21**	16

(1) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, or date of retirement if earlier. HW Bailey started to draw his pension from the scheme on 10 January 1997.

(2) The Company paid a pension to a former director of £19,000.

(3) These relate to contributions paid or payable in the year by the directors under the terms of the Scheme.

(4) The increase in accrued pension during the year excludes any increase for inflation.

Dependant's pensions – A 50% spouse's pension is payable on death or after retirement. In respect of PJ Jackson, the spouse's pension is 66.66%.
Early retirement rights – The directors may retire before their normal retirement age, subject to a reduction for early payment.
Pension increases – Pensions are guaranteed to increase in line with the increases in RPI limited each year to 5%. Additional discretionary increases have been granted in the past.

At 12 September 1998, the following directors had outstanding options to acquire shares of Associated British Foods plc.

	At 14.9.97	Granted	At 12.9.98 Number	Exercise price	Date from which exercisable	Expiry date
DNC Garman	100,000	–	100,000	278.5p	17.11.1999	16.11.2004
DNC Garman	–	50,000	50,000	561.5p	28.4.2003	27.4.2008
PJ Jackson	–	100,000	100,000	561.5p	28.4.2003	27.4.2008

No other directors had any options during the year and no options lapsed or were exercised during the year. The mid-market price of the shares at 12 September 1998 was 507.00p. The highest mid-market price during the year was 664.50p and the lowest mid-market price was 470.00p. The beneficial interests of the directors and their families in the ordinary shares of the company are shown on page 49.

Notes forming part of the Financial Statements continued

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 £10 million (1997 – £11 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 1996 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 £1,382 million and the actuarial value of these assets represented 126% of the benefits that had accrued to members after allowing for expected future increases in earnings. The group also operates pension schemes in Australia and New Zealand and the United States. The charge for the year is based on recommendations by qualified local actuaries.

6. INVESTMENT INCOME

	1998 £m	1997 £m
Dividend income – current asset equity investments	2	2
associated undertakings	–	1
Interest from other current asset investments – listed	3	–
unlisted	112	69
Profit on sale of current asset equity investments	2	–
	119	72

7. INTEREST PAYABLE

	1998 £m	1997 £m
Bank loans and overdrafts	1	2
Other loans	21	20
	22	22

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £m	1997 £m
The charge for the period is as follows:		
United Kingdom – corporation tax at 31% (1997 – 32%)	93	122
Overseas – income and corporation tax	26	40
deferred tax	3	(1)
Associates and joint ventures	2	–
	124	161

The charge for United Kingdom corporation tax is stated after a deduction of £1 million for double taxation relief (1997 – £75 million) on dividends received from overseas subsidiaries. The tax charge for last year was reduced by capital losses, indexation and a rebasing of the tax value of assets.

9. DIVIDENDS OF ASSOCIATED BRITISH FOODS plc

	1998 £m	1997 £m
First interim dividend of 4.25p per share (1997 – 4.25p)	38	38
Second interim dividend of 6.25p per share (1997 – 5.75p)	56	52
	94	90
Special interim dividend of 5.00p per share paid on 23 February 1998	–	45
	94	135

The first interim dividend was paid on 1 September 1998. The second interim dividend will be paid on 6 April 1999.

10. EARNINGS PER ORDINARY SHARE

The calculation is based on available profit for the financial year of £265 million (1997 – £681 million) and 897 million shares (1997 – 900 million) being the number of ordinary shares in issue, excluding the shares held by the Employee Share Option Plan on which the dividends are being waived.

11. FIXED TANGIBLE ASSETS

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Payments on account £m	Total £m
Cost or valuation at 13 September 1997	585	1,480	164	72	2,301
Effect of currency changes	(22)	(56)	(6)	(3)	(87)
New subsidiary undertakings	18	20	1	–	39
Additions	31	184	14	(5)	224
Transfers to joint ventures	(1)	(11)	–	–	(12)
Disposals	(8)	(29)	(8)	–	(45)
Cost or valuation at 12 September 1998	603	1,588	165	64	2,420
Depreciation at 13 September 1997	96	716	93	–	905
Effect of currency changes	(3)	(30)	(4)	–	(37)
Provided during year	13	121	17	–	151
Transfers to joint ventures	–	(6)	–	–	(6)
On disposals	(3)	(21)	(8)	–	(32)
Depreciation at 12 September 1998	103	780	98	–	981
Net book value at 12 September 1998	500	808	67	64	1,439
Net book value at 13 September 1997	489	764	71	72	1,396

	1998 £m	1997 £m
Analysis of land and buildings at net book value		
Freehold	450	442
Long leasehold	42	39
Short leasehold	8	8
	500	489

Land and buildings stated at valuation had a net book value at 12 September 1998 of £17 million (1997 – £21 million) based on valuations carried out principally in 1981/82. On a historical cost basis the net book value of these assets at 12 September 1998 would have been £13 million (1997 – £16 million).

The book value of land as at 12 September 1998 not amortised in the financial statements was £66 million (1997 – £69 million).

Notes forming part of the Financial Statements continued

12. CAPITAL COMMITMENTS

There are commitments for capital expenditure by the group of approximately £51 million (1997 – £46 million) for which no provision has been made in these financial statements.

13. FIXED ASSETS INVESTMENTS

	Joint ventures £m	Associates £m	Other investments £m	Own shares £m	Total £m
At 13 September 1997	7	3	2	–	12
Effect of currency changes	(3)	(1)	–	–	(4)
Transfers	3	3	–	6	12
Share of profits less losses retained	(4)	1	–	–	(3)
Additions	–	–	1	8	9
At 12 September 1998	3	6	3	14	26

Details of the principal joint ventures and associated undertakings and other investments are given on page 48. Interests in the net assets of joint ventures include the group's share of gross assets of joint ventures of £8 million and the group's share of gross liabilities of joint ventures of £5 million.

Other investments are stated at cost.

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 12 September 1998 the Scheme held 3,141,605 (1997 – 1,600,000) ordinary shares of the company. The cost of these shares has been included within fixed asset investments. The market value of the shares at the year end was £15.9 million (1997 – £8.3 million). The Scheme has waived its right to dividends. At the year end there were options outstanding over 2,945,000 (1997 – 440,000) ordinary shares.

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

14. STOCKS

	1998 £m	1997 £m
Raw materials and consumables	172	170
Finished goods and goods for resale	256	246
	428	416

15. DEBTORS

	Company 1998 £m	Company 1997 £m	Group 1998 £m	Group 1997 £m
Trade debtors	–	–	410	421
Amounts owed by subsidiary undertakings	989	780	–	–
Own shares	–	6	–	6
Other debtors	1	7	38	40
Prepayments and accrued income	1	1	33	28
Tax recoverable from subsidiary undertakings	33	45	–	–
	1,024	839	481	495

16. CURRENT ASSET INVESTMENTS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Listed on a recognised stock exchange				
– equity investments	1	–	22	21
other listed investments	–	–	84	3
Unlisted investments	56	144	1,464	1,594
	57	144	1,570	1,618

The market value of the group's equity investments was £32 million (1997 – £31 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £1 million (1997 – £1 million) quoted on overseas stock exchanges.

17. LOANS AND SHORT TERM BORROWINGS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Bank loans and overdrafts	–	1	10	30
Other loans				
Wholly repayable within five years				
5½% unsecured loan stock 1987/2002	–	–	2	2
7½% unsecured loan stock 1987/2002	–	–	5	5
Other unsecured loans	–	–	6	12
Secured loans	–	–	24	5
Wholly or partly repayable after five years				
10¾% redeemable debenture stock 2013 (secured)	–	–	150	150
Other unsecured loans	–	–	4	4
	–	1	201	208
Creditor analysis				
Repayable:				
in one year or less – bank loans and overdrafts	–	1	10	30
other loans	–	–	34	21
	–	1	44	51
beyond one year – between one and two years	–	–	3	2
between two and five years	–	–	1	1
in more than five years	–	–	153	154
	–	–	157	157

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

Notes forming part of the Financial Statements continued

18. CREDITORS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Amounts falling due within one year				
Trade creditors	–	–	227	233
Taxation on profits	15	39	127	136
Other taxation and social security	–	–	20	17
Accruals and deferred income	1	1	252	239
Dividends – interim	56	52	56	52
special interim	–	45	–	45
Amounts owed to subsidiary undertakings	909	788	–	–
Amounts owed to associates and joint ventures	4	–	–	–
	985	925	682	722
Amounts falling due after one year				
Taxation on profits	–	–	13	15

Taxation falling due after one year of £13 million includes £12 million payable on or before 30 September 1999.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Restructuring and other provisions

	£m
At 13 September 1997	54
Effect of currency changes	(1)
Profit and loss account – charged	17
released	(4)
Utilised	(11)
At 12 September 1998	55

No provision for deferred tax is required (1997 – £nil). The full potential liability in respect of accelerated capital allowances and other timing differences at 12 September 1998 was £89 million (1997 – £84 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 12 September 1998 and at 13 September 1997	2,000	1,200,000	62
Issued			
At 12 September 1998 and at 13 September 1997	2,000	899,630	47

The deferred shares became 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.

21. RESERVES

	Group revaluation reserve £m	Group other reserves £m	Group profit and loss account £m	Company profit and loss account £m
At 13 September 1997	4	173	2,693	185
Effect of currency changes	(1)	–	(58)	–
Retained profits of the year	–	–	171	72
Goodwill written off	–	–	(32)	–
At 12 September 1998	3	173	2,774	257

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

The cumulative amount of goodwill written off as a result of acquisitions made in the current and earlier financial periods is £542 million (1997 – £517 million).

22. CONTINGENT LIABILITIES

Associated British Foods plc has guaranteed overdrafts and other liabilities of certain subsidiary undertakings, the amount outstanding at 12 September 1998 being £10 million (1997 – £10 million).

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

23. 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	2	3	11	16
Other	1	2	1	4
At 12 September 1998	3	5	12	20
Land and buildings	2	2	10	14
Other	1	2	1	4
At 13 September 1997	3	4	11	18

24. SHARES IN SUBSIDIARY UNDERTAKINGS

	£m
At 13 September 1997	156
Additions	15
At 12 September 1998	171

Investments in subsidiary undertakings are shown at cost less amounts written off. A list of the principal trading subsidiary undertakings is given on pages 47 and 48. None of the companies shown is a direct subsidiary undertaking of Associated British Foods plc.

The entire share capital 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

25. CASH FLOW FROM OPERATING ACTIVITIES

	1998 £m	1997 £m
Operating profit	297	370
Depreciation	151	156
(Increase)/decrease in working capital		
– stocks	(16)	(6)
debtors	7	(17)
creditors	7	(30)
Provisions	2	16
Net cash from operating activities	448	489

26. ACQUISITIONS AND DISPOSALS

	Acquisitions		Disposals	
	1998 £m	1997 £m	1998 £m	1997 £m
Net assets				
Tangible fixed assets	39	18	–	302
Stocks	12	10	–	66
Debtors	14	6	–	20
Cash at bank and in hand	1	2	–	37
Creditors	(24)	(11)	–	(167)
Bank overdrafts	(1)	–	–	(21)
Loans and finance leases	(8)	–	–	–
Minority interests	(8)	–	–	–
Net assets acquired/disposed	25	25	–	237
Goodwill	32	31	–	2
Profit on disposal	–	–	–	424
	57	56	–	663
Total consideration				
Satisfied by				
Issue of short term loan notes	–	6	–	–
Cash	57	50	–	663
	57	56	–	663
Net cash				
Cash consideration	57	50	–	663
Cash and borrowings acquired/(disposed)	–	(2)	–	(16)
	57	48	–	647

There have been no material fair value adjustments on acquisitions.

On 8 May 1997 the group disposed of its interests in the Power Supermarkets and Stewarts food retailing groups for £639 million realising a profit before tax on disposal of £420 million after deducting goodwill written back of £2 million.

27. ANALYSIS OF CHANGES IN FINANCING

	1998 £m	1997 £m
Issue of short term loans	(32)	(8)
Repayment of short term loans	24	5
Issue of loans over one year	–	(2)
Repayment of loans over one year	2	1
Shares issued to minority shareholders	(5)	(8)
	(11)	(12)

28. NET FUNDS

	Investments £m	Cash at bank £m	Short term borrowings £m	Loans over one year £m	Total £m
Increase in cash	68	(37)	(15)	–	16
Financing (note 27)	–	(8)	(3)	(1)	(12)
Management of liquid funds	658	–	–	–	658
Shares issued to minority shareholders	–	8	–	–	8
Sale of equity investments	(1)	–	–	–	(1)
Transfers	–	–	(7)	7	–
Loan notes issued to acquire a subsidiary undertaking	–	–	(6)	–	(6)
Effect of currency changes	(7)	(6)	13	–	–
Movement in net funds in the year – 1996/97	718	(43)	(18)	6	663
Net funds at 14 September 1996	900	93	(33)	(163)	797
Net funds at 13 September 1997	1,618	50	(51)	(157)	1,460
Increase in cash	70	24	19	–	113
Financing (note 27)	–	(5)	(8)	2	(11)
Management of liquid funds	(107)	–	–	–	(107)
Shares issued to minority shareholders	–	5	–	–	5
Purchase in equity investments	1	–	–	–	1
Sale of equity investments	(1)	–	–	–	(1)
Changes in market value	3	–	–	–	3
Arising on acquisition of subsidiary undertakings	–	–	(5)	(3)	(8)
Effect of currency changes	(14)	(4)	1	1	(16)
Movement in net funds in the year – 1997/98	(48)	20	7	–	(21)
Net funds at 13 September 1997	1,618	50	(51)	(157)	1,460
Net funds at 12 September 1998	**1,570**	**70**	**(44)**	**(157)**	**1,439**

Liquid funds comprise interest bearing instruments and deposits.

29. HOLDING COMPANY INFORMATION

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited, the accounts of which are available at Companies House. It is the ultimate holding company and is incorporated in Great Britain and registered in England.

At 12 September 1998 Wittington Investments Limited held 458,342,290 ordinary shares (1997 – 458,342,290) representing in aggregate 50.9% (1997 – 50.9%) of the total issued ordinary share capital of Associated British Foods plc.

Notes forming part of the Financial Statements continued

30. RELATED PARTY TRANSACTIONS

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

	Sub note	1998 £'000	1997 £'000
Management charge from Wittington Investments Limited, principally in respect of directors and staff paid by them	1	450	450
Charges to Wittington Investments Limited in respect of services provided by ABF and its subsidiaries	1	(44)	(46)
Dividends paid by ABF and received in a beneficial capacity by:			
(i) Trustees of The Garfield Weston Foundation	2	4,926	3,176
(ii) Directors of Wittington Investments Limited who are not Trustees of The Foundation		892	565
(iii) Directors of ABF who are not Trustees of The Foundation and are not directors of Wittington Investments Limited	3	18	11
(iv) a member of the Weston family employed within the ABF group	4	496	308
		£m	£m
Sales to fellow subsidiary on normal trading terms	5	6	6
Amounts due from fellow subsidiary undertaking	5	1	1
Sales to associates and joint ventures on normal trading terms	6	21	62
Purchases from associates and joint ventures on normal trading terms	6	16	3
Amounts due from associates and joint ventures	6	5	9
Amounts due to associates and joint ventures	6	2	1

Sub notes

1. At 12 September 1998 Wittington Investments Limited held 458,342,290 ordinary shares (1997 – 458,342,290) representing in aggregate 50.9% (1997 – 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 12 September 1998 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 Mr 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 20. Their beneficial interests, including family interests, in ABF and its subsidiaries are given on page 49. Directors' remuneration, including options, is disclosed on page 37.
4. A member of the Weston family who is employed by the group and is not a director of ABF or Wittington Investments and is not a Trustee of the Foundation.
5. The fellow subsidiary company is Fortnum and Mason plc.
6. Details of the group's principal associated undertakings and joint ventures are set out on page 48.

Principal Subsidiary Undertakings

Manufacturing activities	**Country of incorporation**
AB Ingredients Limited (95%)	United Kingdom
ABN Huinong Feed Company (60%)	China
ABN Limited	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
British Sugar plc	United Kingdom
British Sugar (Overseas) Limited	United Kingdom
Burtons Gold Medal Biscuits Limited	United Kingdom
Cereal Industries Limited	United Kingdom
Cukrownia Glinojeck SA (51%)	Poland
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
Germains Sp zoo (65%)	Poland
Gregg & Company Limited	United Kingdom
Grosvenor Marketing Limited	USA
Guangxi Bo Hua Food Company (70%)	China
Guangxi Boqing Food Co. Limited (60%)	China
Henan Lianhua – BSO Pharmaceutical Co. Limited (57%)	China
Jacksons of Piccadilly Limited	United Kingdom
Jordan's (NI) Limited	United Kingdom
Lax & Shaw Limited	United Kingdom
Nambarrie Tea Company 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	
Primark	Republic of Ireland
Primark Stores Limited	United Kingdom

Principal Subsidiary Undertakings continued

Investment activities	**Country of incorporation**
Bonuit Investments Ltd	Jersey, Channel Islands
CWII Limited	Jersey, Channel Islands
Portelet Investments Ltd	Jersey, Channel Islands
Eastbow Securities Limited	United Kingdom
Serpentine Securities Limited	United Kingdom

Group interest is 100% except where indicated.
British Sugar (Overseas) Limited operates subsidiary undertakings and joint ventures in Europe and Asia.
Other than this company, each subsidiary operates mainly in its country of incorporation.

Investments

	Country of incorporation	Issued ordinary share capital Total	group percentage
Principal associated undertakings and joint ventures			
C Czarnikow Sugar Limited	United Kingdom	£1,000,000	42
Harper-Love Adhesives Corporation	USA	US$12,200	50
Mauri Products Limited	United Kingdom	£1,375,001	50
New Food Coatings Pty Limited	Australia	A$150,000	50
Proofex Limited	Republic of Ireland	IEP800,000	30
PT Associated British Budi	Indonesia	IDR41,814 million	49.9
PT Budi British Bahan Pangan	Indonesia	IDR9,524 million	49.9
W A Country Bakers Pty Limited	Australia	A$1,000,000	50

There is no significant loan capital in any of the associates or joint ventures.
Each associate or joint venture operates mainly in its country of incorporation.

Other investments			
Berisford plc	United Kingdom	£76,590,275	5

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, and its fellow subsidiaries and subsidiary undertakings.

	12 September 1998	13 September 1997
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	6,446,092
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
Rt Hon John R R MacGregor		
Associated British Foods plc, ordinary shares of 5p	2,325	2,325

Share Options
Details of options to purchase ordinary shares in Associated British Foods plc are given in note 4 on page 37.

Controlling interest
As explained in note 29 on page 45 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 WG Galen Weston are trustees of a trust, in which they have no beneficial interest, which at 12 September 1998 held 683,073 ordinary shares of 50p (1997 – 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 12 September 1998 held 1,583,938 ordinary shares of 5p (1997 – 1,583,938) in Associated British Foods plc.

3. Garry H Weston is a trustee of a trust, in which he had no beneficial interest, which at 12 September 1998 held 400,000 ordinary shares of 5p (1997 – 400,000) in Associated British Foods plc.

Subsequent changes
The interests shown above remained the same at 2 November 1998.

Progress Report

Year ended 1989 £m	Saturday nearest to 15 September	1994 £m	1995 £m	1996 £m	1997 £m	1998 £m
	Turnover					
1,849	Continuing operations	3,348	3,699	4,443	4,437	**4,195**
647	Discontinued operations	1,130	1,195	1,264	766	**–**
2,496		4,478	4,894	5,707	5,203	**4,195**
	Operating profit					
109	Continuing operations	270	285	339	342	**298**
32	Discontinued operations	36	50	56	28	**–**
141		306	335	395	370	**298**
–	Share of profits/(losses) of joint ventures and associates	–	–	–	–	**(1)**
11	Profit/(loss) on sale of property	4	–	6	6	**(3)**
	Profit/(loss) on sale or termination of businesses					
–	Continuing operations	–	–	–	4	**–**
(9)	Discontinued operations	–	–	–	420	**–**
92	Investment income	21	69	54	72	**119**
52	Profit/(loss) on investments	23	–	–	–	**–**
287	Profit on ordinary activities before interest	354	404	455	872	**413**
(7)	Interest payable	(30)	(29)	(25)	(22)	**(22)**
280	Profit on ordinary activities before taxation	324	375	430	850	**391**
(79)	Tax on profit on ordinary activities	(63)	(119)	(144)	(161)	**(124)**
201	Profit on ordinary activities after taxation	261	256	286	689	**267**
(5)	Minority interests	(6)	(6)	(8)	(8)	**(2)**
196	Profit for the financial year	255	250	278	681	**265**
18.0p	Earnings per ordinary share	28.4p	27.8p	31.0p	75.6p	**29.6p**

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.

Directors' Interests

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The earnings per share for 1995 and prior have been restated following the one for one bonus issue in December 1995.

Company Directory

Associated British Foods plc

Registered office	Weston Centre Bowater House 68 Knightsbridge London SW1X 7LQ Company registered in England, number 293262
Secretary	T H M Shaw
Registrar's and transfer office	Lloyds Bank plc Registrar's Department Goring by Sea Worthing BN99 6DA
Auditors	KPMG Audit plc Chartered Accountants
Bankers	Bank of Scotland Barclays Bank plc Girobank plc Lloyds Bank plc National Westminster Bank plc

Timetable	First interim dividend	paid 1 September 1998
	Second interim dividend	to be paid 6 April 1999
	Annual general meeting	4 December 1998
	Interim results to be announced	12 April 1999

Internet site	http://www.ABF.co.uk

Notice of Meeting

Notice is hereby given that the sixty-third 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 4 December 1998.

1 To receive and consider the financial statements for the year ended 12 September 1998 and the reports of the directors and auditors thereon.

2 To re-elect Mr WG Galen Weston as a director.

3 To re-elect Professor Sir Roland Smith as a director.

4 To re-appoint KPMG Audit Plc as 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, and to authorise the directors to determine their remuneration.

As special business to consider and, if thought fit, to pass the following resolutions of which resolution number 5 will be proposed as an ordinary resolution and resolution number 6 will be proposed as a special resolution.

5 That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (within the meaning of section 80 of the Act) 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 3 December 2003 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 directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

6 That, subject to the passing of the preceding resolution number 5, the directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the 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) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons 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 1999, whichever is sooner, 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 directors 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

2 November 1998

Notes

1. **Resolution number 3**
   Professor Sir Roland Smith attained the age of 70 in October 1998.

2. **Resolution numbers 5 and 6**
   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 1997 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 2002. 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 number 5 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 number 5 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 number 6 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.

3. The company, pursuant to section 34 of the Uncertified Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company at 6 pm on Wednesday 2 December 1998 shall be entitled to attend or vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 2 December 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.

5. 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 2 December 1998.

6. The register of directors' interests in the ordinary shares of the company will be available for inspection during normal business hours on any weekday (Saturdays excepted) from the date of this notice until the date of the annual general meeting at the registered office of the company and at the New Connaught Rooms 15 minutes prior to and during the meeting.

7. 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.

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

9. This notice is sent to holders of the company's deferred shares for information only.

SUBSIDIARIES OF ASSOCIATED BRITISH FOODS plc
AS AT 12 SEPTEMBER 1998

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
A.B. EXPLORATION LIMITED	Ord.		
A.B.F HOLDINGS LIMITED	Ord.		
ABF INVESTMENTS plc	Ord.		
A.B.F. NOMINEES LIMITED	Ord.		
A.B.F. OVERSEAS LIMITED			
A.B.F. PROPERTIES LIMITED	Ord.		
A.B.F. SECURITIES LIMITED	Ord.		
ABF (UK) LIMITED			
AB INGREDIENTS LIMITED	Ord.		
ABITEC LIMITED	Ord.		
ABITEC CORPORATION	Ord.		U.S.A.
ABN LIMITED	Ord.		
ABN Huinong Feed Co.			China
ABN (OVERSEAS) LIMITED	Ord.		
ABN (SCOTLAND) LIMITED			
ABR CHEMICALS LIMITED	Ord.		
ABR FOODS LIMITED	Pref.Ord.		
AB TECHNOLOGY LIMITED	Ord.		
AC HUMKO CORP	Ord.		U.S.A.
ALLIED BAKERIES LIMITED	Ord.		
ALLIED FOODS LIMITED	Ord.Def.		
ALLIED FOODS (HOLDINGS) LIMITED	Ord.		
ALLIED FOODS COMPANY LIMITED	Ord.		New Zealand
ALLIED FOODS (N.Z.) LIMITED	Ord.		New Zealand
ALLIED GRAIN LIMITED	Ord.		
ALLIED GRAIN (ANGLIA) LIMITED	Ord.		
ALLIED GRAIN (SCOTLAND) LIMITED	Def. Ord.		
ALLIED GRAIN (SOUTH) LIMITED	Ord.		
ALLIED INVESTMENTS (EUROPE) B.V.	Ord.		Holland
ALLIED RESINS & ADHESIVES PRODUCTS PTE LIMITED	Ord.		Singapore

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
ALLIED-LOVE ADHESIVES LIMITED	A.Ord.,B.Ord		
ALLIED MILLS LIMITED	Pref.Ord.		
ALLINSON LIMITED	Ord.		
ASSOCIATED BRITISH FOODS PENSION TRUSTEES LIMITED	Ord.		
ATLANTIS FOOD INGREDIENTS LIMITED	Ord.		
AUCKLAND FLOUR MILLS LIMITED	Ord.		New Zealand
AUTHENTIC BREAD CO. LIMITED	Ord.		
BANJO'S FINE FOODS PTY	Ord.		Australia
THE BIG 'H' CHEMICALS COMPANY PTY	Ord.		Australia
J. BIBBY AGRICULTURE LIMITED	Ord.		
BLENDED FEEDS LIMITED			
BO Hua		70.00	China
BO Indonesia			Singapore
BONUIT INVESTMENTS			Jersey, C.I
BSO POLSKA SP Z00	Ord		Poland
BRITISH SUGAR ALLIED PRODUCTS LIMITED	Ord.		
BRITISH SUGAR (OVERSEAS) LIMITED	Ord.		
BRITISH SUGAR PENSION TRUSTEES LIMITED	Ord.		
BRITISH SUGAR plc	Ord.		
BURTONS BISCUITS LIMITED	Ord.		
BURTON'S GOLD MEDAL BISCUITS LIMITED	Ord.		
CALEDONIA BISCUITS LIMITED	Ord.		
CEREAL INDUSTRIES LIMITED	Pref.Ord.		
CETRA SERVICES LIMITED	Ord.		Jersey C.I.
CHANCELOT MILL LIMITED (Scotland)	'A'Def.'B PDef.'A'Ord.'B'		
CHIBNALL'S HOLDINGS LIMITED	Ord.		
THE CITY BAKERIES LIMITED (Scotland)	Ord.		
CONCEPT HOLDINGS PTY	Ord.		Australia
E. COOKSON & SONS LIMITED	Ord.		
THE COUNTRY MAID BAKERIES LIMITED	Ord.		
COUNTRY TABLE LIMITED	Ord.		

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
COURTYARD BEEF UK LIMITED	Ord.		
CRANFIELD BROTHERS LIMITED	Ord.		
CRAZY PRICES (N.I.) LIMITED (Northern Ireland)	Ord.		
CRYSTAL FUND (MANAGEMENT) LIMITED	Ord.		
C.W.I.I. LIMITED	Ord.		Jersey C.I.
DAIRY TOPS LIMITED	Ord.		
DALESUND LIMITED			
DAVAAR INVESTMENTS LIMITED	Ord.		
DAVARE HOLDINGS (C.I.) LIMITED	Ord.		Jersey C.I.
EASTBOW SECURITIES LIMITED	Ord.		
G. EMBREY LIMITED	Ord.		
ESPRO (W.A.) PTY LIMITED	Ord.		Australia
EUROSTARCH	Ord.		
FISHERS AGRICULTURAL HOLDINGS LIMITED	Ord.		
FISHERS FEEDS LIMITED	Ord.		
FISHERS NUTRITION LIMITED	Ord.		
FISHERS SEEDS & GRAIN LIMITED	Ord.		
FOOD INVESTMENTS LIMITED	Ord.		
FOOD INVESTMENTS PTY LIMITED	Ord.		Australia
FOODS INTERNATIONAL SALES & MARKETING LIMITED			Eire
FOODS INTERNATIONAL SA	Ord.		France
FOODS INTERNATIONAL SALES EN MARKETING N.V.	Ord.		Belguim
FOODS INTERNATIONAL HOLDINGS B.V.	Ord.		Holland
FOODS INTERNATIONAL VERKOOP ENMARKETING HOLLAND B.V.	Ord.		Holland
FOODS INTERNATIONAL VERTRIEBS UND MARKETING Gmbh	Undefined		Germany
FRITZ WALTHER A. G.	Ord.		Switzerland
F. S. DIEPVRIES B.V.	Ord		Holland
GEEWON PTY LIMITED	Ord.		Australia
GEMINI SUGAR LIMITED	Ord.		
GEORGE CHAPMAN PTY LIMITED	Ord.		Australia
GEORGE WESTON FOODS LIMITED	Ord.	78.45%	Australia

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
GEOWEST TECHNOLOGY LIMITED			
GERMAINS (IRELAND) LIMITED	Ord.		Eire
GERMAIN'S (Poland) Sp Zoo	Ord.		Poland
GERMAINS (UK) LIMITED	Ord.		
GLINOJECK		51.00	Poland
GOLDEN CRUMPET CO A'SIA (EXTENDED) PTY LIMITED	Ord.		Australia
GOLDEN CRUMPETS (N.Z.) LIMITED	Ord.		New Zealand
GOLDEN CRUMPETS COMPANY LIMITED	Ord.		
GOLDEN GIFT TRADING COMPANY LIMITED	Pref.Ord.		
GOLDEN HARVEST BISCUITS LIMITED	Ord.		
GREGG & COMPANY (KNOTTINGLEY) LIMITED	Ord.		
GROSVENOR MARKETING SA	Ord.		France
GROSVENOR MARKETING INC.	Ord.		U.S.A.
GUANGXI BOQING FOOD COMPANY LIMITED	Ord.	60.00	China
GWH INVESTMENTS INC.	Ord.		U.S.A.
H & S RESEARCH PTY	Ord.		Australia
HAFNE SECURITIES LIMITED	Ord.		
HARVESTER WHOLEFOODS LIMITED	Ord.		
E. HAUGEN MANAGEMENT AS	Ord.		Norway
ERIC HAUGEN TRADING AS	Ord.		Norway
ERIC HAUGEN AS			Norway
HAUGEN GRUPPEN AS	Ord.		Norway
HENNA LIANUA - BSO GLUCOSE CO.LIMITED	Ord.	51.00	China
HENNA LIANUA - BSO HENAN PHARMACEUTICAL CO. LTD	Ord.	51.00	China
HICORE LIMITED	Ord.		
HICORE (94) LIMITED	Ord.		
HILLS FOODS AS	Ord.		Norway
HOMAGE INVESTMENTS LIMITED	Ord.		
HUNTERS THE BAKERS LIMITED	Ord.		
ROBERT JACKSON & COMPANY LIMITED	Ord.		
JACKSONS OF PICCADILLY LIMITED	Ord.		
JEFFREY'S (CORNISH ICE CREAM) LIMITED	Ord.		

ASSOCIATED BRITISH FOODS plc

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
JOHN K KING & SONS LIMITED	Ord.		
JORDAN BROS (N.I.) LIMITED			
JULA BV	Ord.		Holland
KRUSTY PTY LIMITED			Australia
LAX & SHAW LIMITED	Def.Ord.		
LIGHT BITE LIMITED	Ord.		
LOVE STARCHERS (SINGAPORE) PTE	Ord.		Singapore
MARDORF, PEACH & CO. LIMITED	1st Pref.2nd Pref.Def.Ord		
MARDORF PEACH (HOLLAND) BV	Ord		Holland
MATHESON McLAREN& COMPANY LIMITED (Scotland)	Ord.		
MAURI PRODUCTS LIMITED	Ord.	50.00	
MERRETT'S LIMITED	Ord.		
MITCHELL & MUIR LIMITED (Scotland)	Pref.Ord.		
H. & E. MUSGRAVE (DUBLIN) LIMITED	Pref.Ord.		
NAMBARRIE TEA COMPANY LIMITED	Ord.		Eire
NADREN LIMITED	Ord.		Eire
JAMES NEILL LIMITED (Northern Ireland)	Def.Ord.		
N.B. LOVE INDUSTRIES PTY	Ord.		Australia
N & C ENTERPRISES PTY	Ord.		Australia
NELSON PRESERVING COMPANY LIMITED	Pref.Ord.		
NELSON OF AINTREE LIMITED	Ord.		
NORTH YORKSHIRE COMMERCIALS LIMITED			
ONE UP (RETAIL) LIMITED	Ord.		
PARK NORTH INVESTMENTS LIMITED	Ord.		
PARKSTONE BAKERIES LIMITED	Pref.Ord.		
PARSLOWS OF READING LIMITED			
PORTELET INVESTMENTS			Jersey, C.I
PRECIS (1337) LIMITED	Ord.		
PRIMA	Ord.		Eire
PRIMARK	Ord.		Eire
PRIMARK HOLDINGS	Ord.		Eire

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
PRIMARK (U.K.) LIMITED	Ord.		
PRIMARK PENSIONS TRUSTEES	Ord		
PRIMARK SENIOR EXECUTIVE PENSION TRUSTEES LIMITED			Eire
PRIMARK STORES LIMITED	Ord.		Eire
PROVINCIAL MERCHANTS LIMITED	Ord.		
PROVINCIAL MERCHANTS AUSTRALIA PTY LIMITED	Ord.		Australia
QUALITY BAKERS OF BRITAIN LIMITED	Ord.		
J. R. RAWSON LIMITED			
ROWALLAN CREAMERY LIMITED (Scotland)	Ord.		
THE RYVITA COMPANY LIMITED	Pref.'A' Ord.Ord.		
RYVITA Gmbh	Ord.		Germany
SEED SYSTEMS INC.	Ord		U.S.A.
SERPENTINE SECURITIES LIMITED	Ord.		
RICHARD SHARROCK & SONS LIMITED	Ord.		
SILVER SPOON COMPANY LIMITED	Ord.		
SIZZLERS LIMITED	Ord.		
SIZZLERS	Ord.		Eire
SIZZLES LIMITED	Ord.		
SIZZLES INTERNATIONAL	Pref.Ord.		Eire
SPEEDIBAKE LIMITED	Ord.		
STIRRUP NV	Ord.		Netherlands
T. STORM & SONNER AS	Ord.		Norway
SUGARCZECH	Ord		Czech Republic.
SUGARPOL (TORAN) Sp Zoo		68.00	Poland
SUGARROM PROD. s.r.l.	Ord.		Romania
SULLIVAN AGRICULTURE LIMITED			
SULLIVAN POULTRY GROUP LIMITED			
SUNBLEST BAKERIES LIMITED	Ord.		
THE SUNBLEST CRUMPET COMPANY LIMITED	Ord.		
G.W. SUPERANNUATION PTY LIMITED	Ord.		Australia
TALISMAN GUERNSEY LIMITED	Ord.		Guernsey, CI
TIP TOP BAKERIES LIMITED	Ord.		

Name	Class of Share	Holding if not 100%	Country of incorporation if other than U.K.
TOOKS LIMITED	Ord.		
TRIDENT FEEDS LIMITED	Ord.		
TUKE SHIPPING LIMITED	A'Ord. 'B'Ord.		
TURNER & SONS LIMITED	Ord.		
R. TWINING AND COMPANY LIMITED	Ord.		
R. TWINING & COMPANY (U.S.A.)	Ord		U.S.A
TWININGS BEVERAGES INC (U.S.A.)	Ord.		U.S.A.
TWINING CROSSFIELD & CO. LIMITED	Ord.		
TWININGS OF IRELAND LIMITED	Pref.Ord.		Eire
TWININGS PRIVATE			India
VALUPAK BISCUITS LIMITED	Ord.		
VITBE FLOUR MILLS LIMITED	Pref.Ord.		
WALTERS BISCUITS LIMITED	Ord.		
W.C.S. HOLDINGS (N.I.) LIMITED (Northern Ireland)	Pre.Ord.		
WELLINGTON FLOURMILLS LIMITED	Ord.		New Zealand
WEREHAM GRAVEL CO. LIMITED	Ord.		
WESFEEDS PTY LIMITED	Ord.		Australia
WESTMILL FOODS LIMITED	Ord.		
THE WESTON BISCUIT COMPANY LIMITED	Ord.		
WESTON FOODS LIMITED	Pref.Ord.		
WESTON RESEARCH LABORATORIESLIMITED	Ord.		
W I HOLDINGS (SINGAPORE) LIMITED	Ord.		Singapore
WALTER WILLIAMS & CO. (LONDON) LIMITED	Def.Ord.		
YORKSHIRE COUNTRY FEEDS LIMITED	Ord.		
ZIGGYS IRELAND LIMITED	Ord.		Eire