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## Associated British Foods

Associated British Foods is an international food ingredients and retail group with annual sales of £4.4 billion and 34,000 employees.

The group is one of Europe's largest food companies and has significant businesses in Australia, New Zealand, China and the US.

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## Highlights

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Worldwide sales up 2% to £4,414 million

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Operating profit up 4% to £340 million\*

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Exceptional charge of £130 million, of which £12 million is a cash cost, for rationalisation of manufacturing and processing facilities

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Investment income reduced from £84 million to £61 million following payment of special dividend in May 1999

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Adjusted earnings per share up 8% at 34.1p\*

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Dividends per share up 5% to 11.25p

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\*before exceptional items and amortisation of goodwill

## chairman's statement



It was announced in May of this year that due to continuing poor health, Garry Weston had decided to retire as chairman of the company. I assumed the chairmanship at that time.

I am very sad to inform you that, because Mr Weston has not made the hoped for recovery, he has decided not to seek re-election at this year's annual general meeting.

Garry Weston was appointed as a director of Associated British Foods, or Allied Bakeries as it was then known, in 1949. In 1967 he returned to this country from Australia where he had been heading George Weston Foods and assumed the role of chairman and chief executive. He followed his father, the late W. Garfield Weston who founded the company, in that role.

At the time of his appointment as chairman, the pre-tax profit of the Associated British Foods group was £13 million and the company was capitalised on the stock market at £90 million. Under Garry Weston's direction, by 1999 the group sales were £4.3 billion, profits were £384 million and market capitalisation had reached the sum of £3.3 billion. By any measure, his period of office was one of outstanding achievement, not only on behalf of shareholders in this company, but on behalf of British industry as a whole. In 1991 he was elected as Businessman of the Year. His reputation for integrity, commitment to long term development and shrewd judgement has been, and will continue to be, a byword.

On behalf of shareholders and all of those who work for Associated British Foods, I and my board colleagues send Garry Weston and his family our best wishes for his return to good health.

I am pleased to be able to report that before exceptional charges and amortisation of goodwill, group profit at the operating level has once again recorded positive growth at £340 million compared with £326 million in 1999, an increase of 4 per cent over last year.

This increase was achieved despite a combination of adverse economic factors which intensified throughout the year. The continued strengthening of the pound sterling, against nearly all predictions, resulted in a profit impact on the contribution from British Sugar of no less than £19 million.

The UK agricultural sector continued to suffer from the worst economic conditions for many years. As the largest operator in the UK agribusiness sector we have not been immune from these pressures.

Against this background, and an environment of flat, or declining, prices and margins in food retailing and manufacturing, to have recorded this increase in operating profit shows the resilience of our operations.

In reporting to shareholders last year, I indicated that a rigorous review of the group's operations was underway. As a result, exceptional items totalling £130 million, of which £12 million is a cash cost, have been charged against the profit for the year. These charges arise from decisions taken to dispose of, close or restructure a number of our manufacturing and processing operations, both in the UK and overseas.

Following the payment of the special dividend of £448 million to shareholders in May 1999, investment income was budgeted at a lower level in the current

year. In the event, investment income of £61 million, although lower than the previous year by some £23 million, was ahead of our budgets despite the additional impact of lower average interest rates.

Group profit before tax, after the charge for exceptional items, was £247 million. At the post-tax level, earnings per share declined from 21.4p to 17.5p but, adjusting for exceptional items and amortisation of goodwill, increased by 8 per cent to 34.1p.

Our operating companies, for the most part, performed strongly and, in a number of instances, produced sharply improved results.

Despite the impact of the strong pound and the general depression affecting UK farming, like-for-like profits in our agricultural processing businesses were marginally ahead of the previous year. The principal factors contributing to this increase were improved returns from UK flour milling and our sugar operations in China.

In ingredients and oils, both SPI Polyols and Röhm Enzyme delivered excellent results and Abitec, in the UK and US, also produced further like-for-like double digit growth.

In grocery, although ongoing rationalisation costs and continued price pressures reduced the contribution from UK baking, other companies, notably Ryvita and Westmill Foods, significantly increased underlying profits.

Primark, our retail textile business, achieved a 19 per cent increase in operating profit and continued to gain increased recognition and share in its highly competitive marketplace.

There was a welcome improvement in the contribution from our Australasian companies

driven by significantly improved profits in milling and baking and a contraction in the level of spend on new IT systems.

I referred earlier to the business review undertaken which has resulted in the significant exceptional charge this year. Both in the UK and overseas, our manufacturing and processing operations have been facing increasingly severe price competition and margin contraction, arising from surplus capacity in many of the basic food industries in which our companies are involved. As stated above, the agricultural sector in this country confronted depressed markets, a situation exacerbated by an over-valued pound sterling.

With these pressures showing no signs of abating, it is essential to focus only on those activities where we have a competitive advantage and sufficient scale to make a significant contribution to our twin objectives of sustainable real profit growth and generation of long term free cash flow.

The strategic review of our UK and overseas manufacturing activities has resulted in the decision to dispose of, close, or restructure those areas of our business which have not been meeting these criteria.

During the year we sold our UK own label ice-cream manufacturing company and wheat starch operations. In both instances, we have released capital which was earning inadequate returns. Since the year end we have sold Burton's, our UK biscuit and confectionery company. The biscuit market

in the UK suffers from over-capacity and negligible growth and, given the relative weakness of Burton's competitive position, the decision was taken to exit this market. The sale proceeds of £130 million will generate an exceptional profit and the cash will be redeployed in those sectors of our activities targeted for further long term growth. We have also sold our UK industrial fats business which, as a marginal player in a commodity industry, did not fit with the group's longer-term objectives.

The exceptional charges of £130 million allow for restructuring by disposal or closure of manufacturing and processing activities in this country, the US and the Far East. The major portion of this charge relates to the write down of redundant or over valued fixed assets. The related cash costs will not be material to the group and completion of the restructuring programme will result in improved profitability and the release of surplus capital.

We have continued with our conservative treatment of charges for ongoing reorganisation and closure. During the year we absorbed against operating profits an additional £26 million in respect of closures and redundancies in our existing businesses in the drive for improved efficiencies. Once again the group generated a positive cash flow after capital expenditure and investment in acquisitions net of disposals across the group. Acquisitions cost £78 million and were partially offset by £54 million of proceeds from the sale of our UK ice-cream and wheat starch

operations. The net result for the year was an inflow of funds of £116 million.

The group's record of investment in its existing operations has been consistent and significant. In the past 10 years, the operating companies have invested over £2.2 billion in new fixed capital expenditure. This policy of investing in modern equipment will continue given the unrelenting pressures to achieve operating efficiencies. However, capital investment for its own sake is not a virtue and therefore the review, evaluation and monitoring of such expenditures will be further tightened to ensure that future fixed capital expenditure generates value added return and is directed to those areas of our business which are targeted for growth. Capital expenditure in the past year of £182 million was £77 million below 1999.

Much of the focus in the past year has been on the rationalisation and restructuring of our existing businesses, but we have not been deflected from the equally important requirement to develop our core activities. In pursuit of this policy, we have invested in acquiring businesses which will strengthen our market presence by expanding product category or geographical spread. In particular we have invested further in the added value food and healthcare ingredient market in the US with the acquisition of the polyols business of Lonza which, combined with our SPI business, makes us the number two supplier in the US polyols market. In Europe we acquired Röhm Enzyme which is already

performing ahead of expectations and is set to become a leading supplier of enzymes to food, industrial and animal feeds markets throughout the world.

We have continued to invest in the development of Primark and during the past year opened our 100th store. Once again this division recorded double digit growth in sales and profits reflecting the steady expansion of the store base in recent years. Since the year end we have acquired a further six stores from C&A which, together with a number of other new sites in the pipeline, will provide further development in the next two years. Although Primark has achieved remarkable growth in sales, profit and market share there are still great opportunities available as we expand into major conurbations where we have hitherto had no presence.

We operate in an environment where competitive pressures are no longer domestic, but global, where excess capacity is endemic, and where low inflation is moving towards price deflation. If we are to prosper and grow in such a world, we must focus on those areas of our business which have strong market positions and where, by competitive efficiency, we can make real profit improvement.

We are taking major steps to improve the focus of our traditional businesses. We are giving equally urgent attention to the development of newer, less commoditised, technologies in the provision of food and healthcare ingredients. We have increased the pace of our investment in these sectors and the rate of development will be accelerated

by acquisitions. These will be targeted in areas which will bring wider but related formulation and process skills, significant market presence and able management.

The strong positive cash flow from our operations and the inherent strength of the group's balance sheet provide us with the resources to achieve these objectives. The impact of change is rarely comfortable, but the management of this company is committed to embracing the process to drive the company forward into its next growth phase.

#### **Board changes**

In May it was announced that Garry Weston was retiring as Chairman because of his continuing poor health and that I was appointed Chairman. George Weston was appointed Deputy Chairman and continues as Chief Executive of Allied Bakeries.

As already mentioned Garry Weston has decided not to seek re-election at this year's annual general meeting.

As previously announced, Trevor Shaw retired in December 1999 from his full time executive role as company secretary with responsibility for legal matters. In May 2000 he retired as a director of the company.

#### **Dividends**

The directors have declared a second interim dividend of 7.0p per share (1999 – 6.5p) which will be paid on 19 February 2001 to shareholders registered at the close of business on 2 February 2001. This makes a total dividend for the year of 11.25p, an

increase of 5 per cent on the previous year excluding the special dividend payment.

#### **Employees**

I have referred to the pressures of operating in adverse conditions at home and overseas. Our employees everywhere are rising to meet these constant challenges and I take this opportunity to thank them for their great contributions.

Harry Bailey  
**Chairman**

## group at a glance

The group's food businesses can be broadly categorised into the primary food and agriculture sector, ingredients and oils, and grocery.

Other businesses are retail, packaging and the Australian and New Zealand operations within the group's 78% owned subsidiary, George Weston Foods.

The group has sales worldwide and manufacturing operations across Europe, North America, Asia, Australia and New Zealand.



Associated British Foods is UK agriculture's biggest customer. The company buys more primary products from British farmers than any other group, adding value through its sophisticated and efficient processing facilities to produce high quality, staple food ingredients such as flour and sugar.

### **Sugar**

Boqing/Bo Hua (China)  
British Sugar  
Sugarpol (Poland)

### **Flour milling**

Allied Mills

### **Vegetable oil & rice processing**

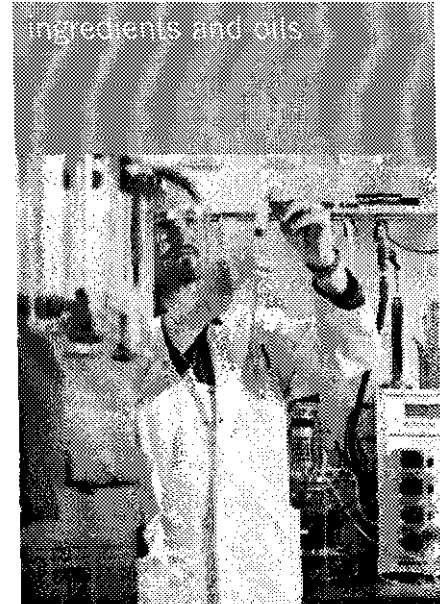
ACH Food Companies (US)

### **Animal feeds & breeding**

ABN  
Fishers  
Huinong (China)  
Liaohu (China)  
Sullivans

### **Seed processing & merchanting**

Allied Grain  
Fishers  
Germaines Technology Group  
John K King



The group is increasingly focusing on high added value ingredients. It applies its skills in producing functional ingredients from natural products which are widely used in the food, pharmaceutical and personal care sectors.

### **Baking, confectionery ingredients, enzymes & yeasts**

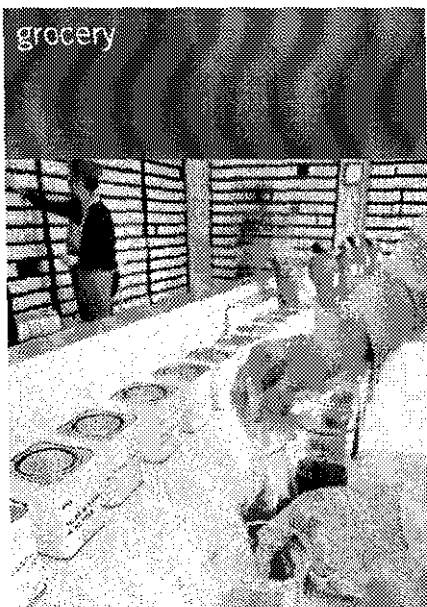
AB Coatings  
AB Ingredients  
Kingsgate  
Mauri Products  
Nelsons of Aintree  
Röhm Enzyme (Finland, Germany)

### **Oils, emulsifiers, fractionated fats, analogue cheeses, sterols, esters & antacid ingredients:**

AB Technology  
Abitec (US)  
ACH Food Companies (US)  
Barcroft (US and France)

### **Starch & polyols**

BBBP (Indonesia)  
Getec (Brazil)  
Lianhua (China)  
SPI Polyols (US)



Associated British Foods is a major UK manufacturer of both branded and private label grocery products, many of which are household names.

**Sugar & sweeteners**

Silver Spoon

**Bread & crispbreads**

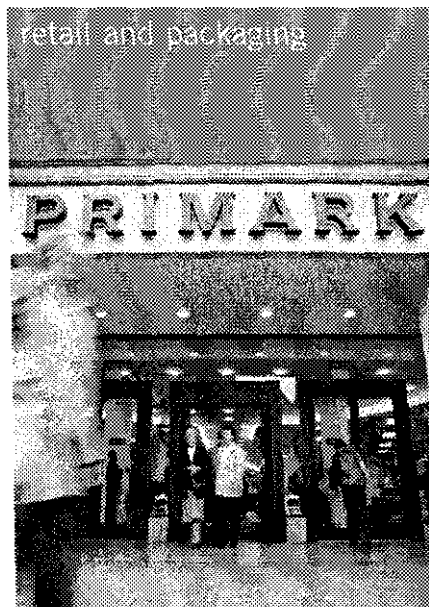
Allinsons  
Kingsmill  
Ryvita  
Speedibake

**Teas**

Jacksons of Piccadilly  
Nambarrie Tea Co.  
Twinings

**Packaged groceries**

Westmill Foods



Primark's formula of providing quality merchandise at affordable prices has provided a retail success story for Associated British Foods. Our glass packaging companies have combined to trade as Allied Glass Containers.

**Retail**

Penneys (Ireland)  
Primark

**Glass packaging**

Allied Glass Containers



George Weston Foods is a major processor and producer of primary and branded food products in Australia and New Zealand.

**Flour milling, bread, biscuits & baking products**

Burgen  
Cereform  
Speedibake  
Tip Top  
Weston Milling  
Weston's Biscuits

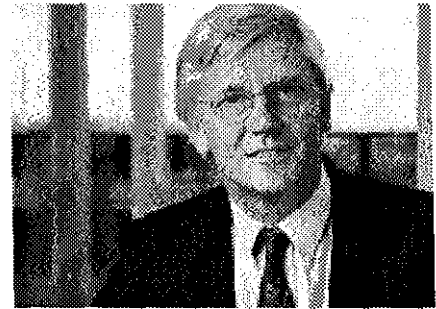
**Meat & dairy**

Chapman's  
Don's  
Melosi  
Watsonia

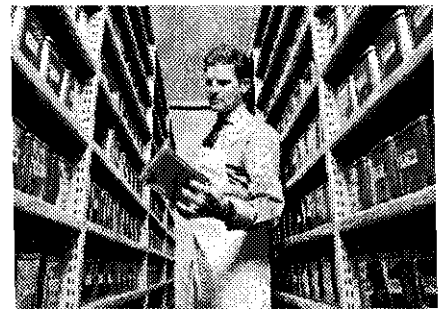
**Starch & cleaning materials**

Harper Love  
Jasol  
Weston Bioproducts

## chief executive's report



Sales for the group increased 2% to £4,414 million and operating profit, before exceptional items and amortisation of goodwill, increased 4% to £340 million. This result included excellent performances from a number of businesses and served to emphasise the strength and depth of the group's operations.



During the year we faced a number of specific difficulties: the effect of the weakening of the euro on the sugar support price, volatility in the pig market, continuing difficulties in our UK wheat starch operations as well as operational issues in our US commodity vegetable oil processing business. This report highlights how each of these has been, or is being, addressed.

Our twin goals for the future are sustainable growth and strong cash flow. We have assessed each of our businesses against these objectives. Where we believe a positive contribution can be achieved, we will invest or restructure as necessary. In other cases, we will look to realise value through disposal.

Our review highlighted the need for significant restructuring in certain businesses. Action is already being taken in Allied Bakeries and Allied Mills to rationalise their cost base. British Sugar has announced a major appraisal of its manufacturing assets and ACH in the US has announced its intention to move away from commodity oil processing to focus fully on its value added business.

The exceptional charges of £130 million charged against profits in the year, of which

£12 million is a cash cost, allow for restructuring by disposal or closure of manufacturing and processing facilities across the group. In addition £26 million was charged in the year in respect of costs for closures and redundancies in our businesses.

During the year we sold our UK own label ice-cream and wheat starch businesses. Since the year end we have sold Burton's, our UK biscuit and confectionery business, Rowallan, our industrial fats business, and have also agreed to the phased sale of our UK 'pig breeding to abattoir' operations. These businesses were sold because they could not contribute to our long term goals.

Our group now consists of a breadth of businesses each with the potential to meet our demanding requirements. We will not however achieve our objectives solely by organic growth. A strong emphasis on the acquisition of new businesses is crucial to the future, whether it is to consolidate existing positions, expand from positions of strength or to take the group into new areas. These areas will have been researched and will create the new platforms necessary for growth. Some of these moves will inevitably be significant but the timing and size of any transaction will, as always,

be determined solely by the best interests of shareholders.

In order to unlock the full potential in our business, three new organisational groupings have been established in the UK with effect from the beginning of the new financial year:

- Primary food brings together the large scale processing businesses in sugar and UK milling as well as international seed processing.
- Agriculture combines, for the first time, all the UK and Chinese animal feeds businesses as well as arable merchandising.
- Five of our UK consumer products businesses have been brought together in a single organisational group.

Allied Bakeries remains separate to provide the management focus needed for the restructuring task it faces. These groupings sit alongside our other businesses: George Weston Foods in Australia, Primark, Allied Glass Containers and the businesses, ACH, SPI and Abitec which comprise ingredients and oils.

I believe that the concentration of expertise provided by these changes and the synergies that will be created give us the focus we need to achieve our objectives.



## ABN

Extensive restructuring in the UK animal feeds sector presented ABN with opportunities to consolidate its position as the leading national supplier by acquiring six mills formerly owned by Dalgety.



## primary food and agriculture continued

As anticipated, the European Commission reduced the UK beet sugar production quota by 2%. This quota reduction was smaller than we expected and the net financial effect on British Sugar will not be significant.

The pressure on margins arising from currency movements and the expected review by the European Union of the sugar regime has led British Sugar to announce a fundamental appraisal of its cost base which, when completed, will leave the business well placed to cope with such pressures.

In April, British Sugar concluded a long running negotiation with the National Farmer's Union which agrees the sugar beet supply contract on behalf of the 8,500 beet growers. The contract, known as the Interprofessional Agreement, had remained fundamentally unchanged since 1983 and agreement on its reform has been welcomed by both parties. Hailed as the most progressive sugar beet supply contract in Europe, the new arrangements, which are effective for the next five years, give a firm base from which to take the industry forward.

In Poland, the sugar factories performed well by increasing extraction and reducing costs against a background of improving market prices. During the year we announced the acquisition of four additional factories from a consortium of the Polish agri-processing group, Rolimpex, and Danish company, Danisco, which will significantly strengthen our presence in Poland. We are currently awaiting regulatory approval to complete the transaction.

In China, our factories contended with the worst crop damage from frost for over 25 years but profits improved as higher sugar market prices compensated for the loss of volume. Boqing became the first sugar factory in Asia to be accredited with the quality mark ISO9002. Since the year end the Huaiyuan sugar mill was acquired increasing our Chinese production capacity to a critical mass of more than 225,000 tonnes.

An acquisition in the US this year by Germain's, our seed enhancement business, has given it access to new coating and polymer technology and has expanded growth opportunities particularly in South America and Australia. To reflect the breadth of its operations, Germain's has been renamed Germain's Technology Group. Research and development has been relocated to a new purpose built facility at King's Lynn.

Allied Mills, our flour milling operation and one of the UK's largest producers, achieved a good performance this year in a very competitive market by successfully utilising gristing techniques to counteract the poor quality crop. The business completed the latest phase of its investment programme with the opening of its new flour and semolina mills in Tilbury as well as the technically advanced heat treatment and cake flour production systems at the Corby mill. The Ipswich and Crayford mills were closed and Rochford was mothballed during the year to complete the current programme of facilities restructuring.

Trading conditions in the UK starch market have been difficult. We did not believe that ABR, our starch and glucose operation in Corby, was well positioned to prosper in this market. Accordingly in September 2000 we sold the business to Roquette Freres whose core activities lie in the starch industry. This move was in the best interests of ABR and allows the group to focus on those businesses that maximise shareholder value.

The businesses comprising the Agriculture group operate at the heart of the agricultural industry with leading market positions in UK seed, grain and animal feeds as well as having a significant position in the Chinese animal feeds market.

Allied Grain, the UK's leading grain trader, performed to expectation despite the lower crop yields from the UK harvest in 1999 and 2000. It continued to strengthen its

position in the market by establishing a joint venture with Agrovista, the UK arm of the world's largest agrochemical distributor. This will give access to the UK's largest commercial crop trials network as well as handling Agrovista's seed, fertiliser and grain requirements.

John K King, the specialist agricultural business supplying seeds and buy-back contracts for crops, continued to perform strongly. It has opened its first overseas office, in the US, and has also entered the herb trading market. The Lincoln oil extraction plant, acquired last year, has already substantially increased its output and sales.

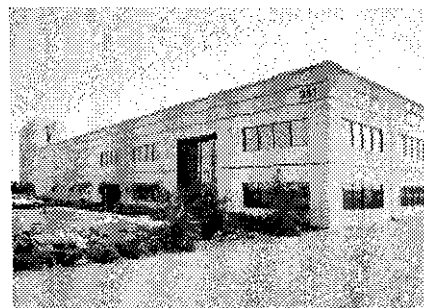
ABN and Fishers, our animal feeds businesses, performed much better during the year with Fishers recording a particularly strong profit recovery from last year's disappointing results. Particular highlights were the integration of the six animal feeds mills acquired from Dalgety at the beginning of the year, the achievement of significant cost savings in all parts of the business and increased share in the pig, poultry and dairy feeds sectors.

Despite a slowdown in development of the feeds market in China this year, there are encouraging prospects with the demand for quality food increasing and continuing government support for ABN's system of safe, healthy pigmeat production.

For a number of years, ABN has been a major breeder and processor of pigs but its operating results have suffered from high volatility in pig prices. Subsequent to the year end we announced the phased sale of this business to Dalehead Foods with ABN continuing to supply feeds on a long term basis.

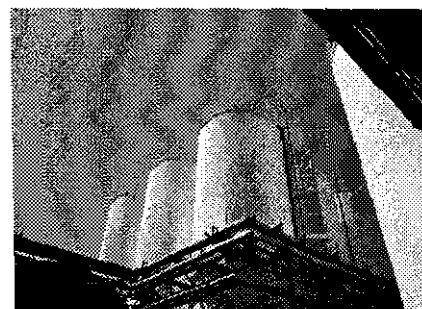
#### Pacific Grain

ACH Food Companies expanded its interests in grain based ingredients with the acquisition of Pacific Grain, a Californian based supplier of rice flour and flour based blends, extruded particulates and other speciality ingredients.



#### SPI/Lonza

The group entered the fast growing polyols sector with the acquisition of Delaware based, SPI. With the further acquisition this year of Lonza's polyols business, Associated British Foods has become one of the leading suppliers of these products to pharmaceutical and food manufacturers.



## Ingredients and oil continued

Ingredients is a growth area for the group and we continue to focus on applying our technical skills in producing functional ingredients from natural products. These are used in an ever widening variety of applications by the food industry as well as growth areas such as personal care and pharmaceuticals.

Abitec, a leader in ingredients for food, pharmaceutical and personal care products, performed well throughout the year, particularly in the US in personal care lotions and other industrial markets. We continued our investment programme during the year and projects completed include a new laboratory and office complex in Janesville, US.

In Europe, Röhm Enzyme exceeded expectations in its first year of ownership and is proving an important technological link between group companies with its range of natural biological catalysts for food and personal care applications. AB Ingredients achieved strong growth particularly in confectionery toppings and fillings which helped to accelerate the move to higher margin business and reduce dependence on the difficult plant bakery market.

ACH Food Companies (formerly known as AC Humko), our Memphis based oils and ingredients business, is working hard

to improve profitability following the settlement of the strike at its largest oil processing plant at Champaign, Illinois. Early action to tackle operational problems at the Greenville rice mill has led to significantly improved profits from the rice business.

Since the year end a long term supply contract with Archer Daniels Midland Company, a fully integrated soybean crusher and refiner, was announced. ACH has taken the strategic decision to phase out refining and bleaching of vegetable oils at Champaign, from early 2001, and to focus on the marketing, development and manufacture of high value, specialised shortening and oil products. As a result of this contract, ACH will now concentrate on the marketing and selling of high volume, commodity oils through both foodservice and retail channels. Since the year end, negotiations have been concluded with Procter & Gamble for the acquisition of its branded foodservice oil business which will be integrated into ACH's existing private label business after completion of the transaction in January 2001. The closure of the oil and shortening plant in Columbus, Ohio was announced in August 2000 with completion expected in Spring 2001.

In November 1999, Pacific Grain Products was acquired. This business is a leading grain based ingredient manufacturer, located

in Woodland California, and produces rice flour and flour blends, extruded particulates and other speciality food ingredients. Its contribution since acquisition has been ahead of expectations.

SPI polyols, our business acquired in 1998, continues to produce strong results in a market characterised by robust demand. During the year it acquired the polyol business of Lonza in the US creating the number two supplier in that market. Lonza complements SPI's existing range of speciality polyols and gives access to a wider customer base. The former Lonza plant in Mapleton, Illinois produces both liquid and crystalline sorbitol and a range of other products which, as ingredients in sugar free products, replace the bulking function normally carried out by sugar. The company also produces tablet grade crystalline sorbitol which offers new opportunities for SPI Pharma, the pharmaceutical ingredients division of SPI.

SPI Pharma is building its capabilities to service the pharmaceutical industry with highly engineered ingredients designed to improve finished dosage performance for the consumer yet be more cost effective to produce.

### Kingsmill

Kingsmill, the leading UK premium bread brand, strengthened its range with a number of innovative products during the year.



### Silver Spoon

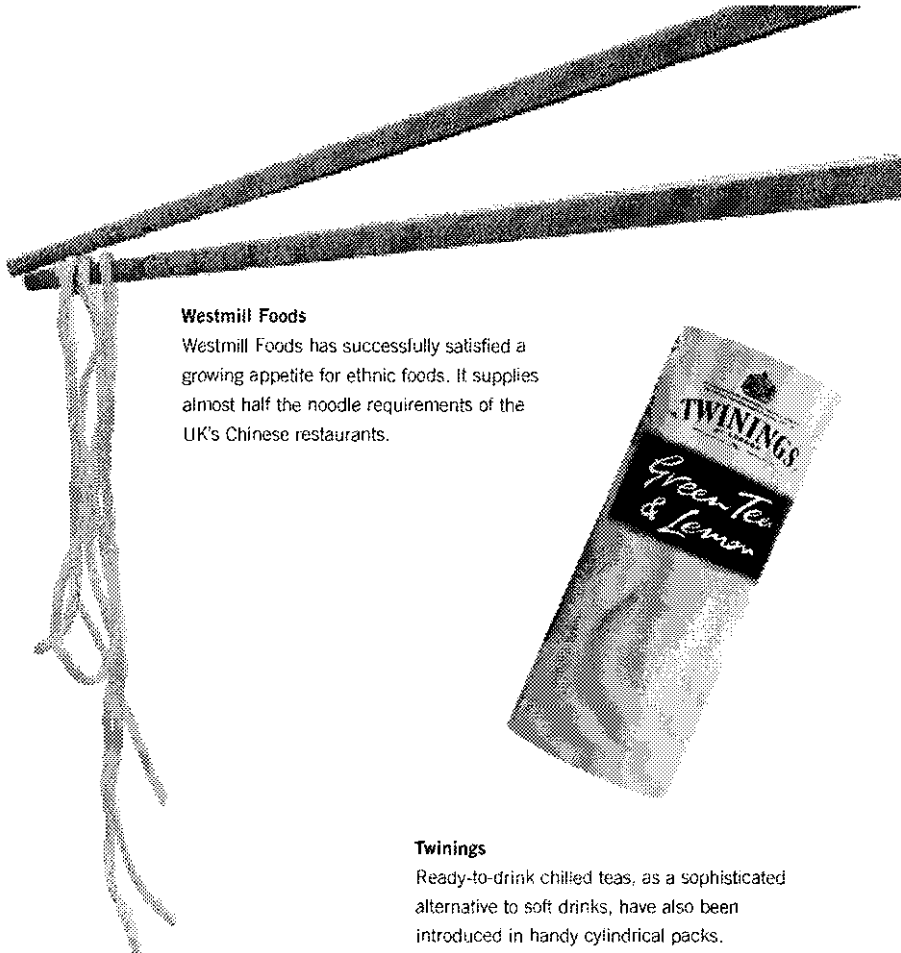
The nation's favourite sugar brand now has a full range of alternative tabletop sweeteners. The latest, 'Nothing Comes Closer to Sugar' has proved very popular since its launch earlier in the year and is listed by all the major UK supermarkets.



Price and margin pressure continued in the UK bread industry during the year. Allied Bakeries responded by further streamlining its business with the closure of its bakeries in Aberdeen, Lytham, Ipswich and Coleraine during the year. The Kingsmill brand was strengthened in the premium bread sector with the successful launch of Tasty Wholemeal and Tasty Crust. Branded bread has grown from 58% to 63% of Allied Bakeries' volume and Kingsmill remains the leading UK bread brand. Innovative product development is a key focus for us and during the year we introduced organic product ranges including a partially baked product for use in retailer in-store bakeries.

Speedibake, our specialist frozen bakery business, has faced difficult trading conditions in a very competitive market. However during the year Speedibake has developed its business through increased rates of product innovation and by establishing category partnerships with leading multiple retailers.

Twinnings in the UK performed well during the year, growing its business and returning record profits. This was achieved by the continued growth of established products as well as new product introductions such as additions to the herb tea and organic tea ranges.



### Westmill Foods

Westmill Foods has successfully satisfied a growing appetite for ethnic foods. It supplies almost half the noodle requirements of the UK's Chinese restaurants.

### Twinnings

Ready-to-drink chilled teas, as a sophisticated alternative to soft drinks, have also been introduced in handy cylindrical packs.

Overseas, Twinnings acquired a long established food distributor in Sweden together with its previous distributor there. These will be integrated with existing operations in Norway and Denmark to form a unified food and drink distribution business across Scandinavia. Profits were maintained in the US and new easy-opening packaging was successfully launched in the Australian market.

Silver Spoon, our retail sugar business, successfully increased its share in the UK tabletop sugar market through a strong product and service offering to the major supermarkets and other trade customers. Silver Spoon has become the only supplier that can offer a full range of natural and calorie reduced products with the launch earlier in the year of 'Nothing Comes Closer To Sugar'. Another successful extension of the Treat range has been flavoured dessert toppings. Enhanced service levels and reduced production costs will result from capital investment in new packaging equipment at Bury.

Ryvita achieved substantial underlying profit growth compared to last year. Sales of traditional crispbread increased both in the UK market and for export. Extruded crispbread saw rapid growth in private label with a major share gain in the French market. Organic Allinson crackerbread was launched

during the year following organic supplier accreditation being granted to our Stockport factory. All the major UK supermarkets have listed the product and it is already being exported to Belgium.

Westmill Foods achieved significant improvement in profit this year with increased sales volumes and improved margins in the rice and noodle businesses. Continuing investment in new plant has strengthened our position as a leading supplier of staple ethnic foods.

The sale of our own label ice-cream manufacturing business was completed in May following regulatory approval. Since the year end we have sold Burton's, our UK biscuit and sugar confectionery business, and Rowallan, our industrial margarines and bakery fats business. The sale of each of these businesses reflects our strategy to develop the portfolio in areas which present the best opportunities for us to take a market leading position.

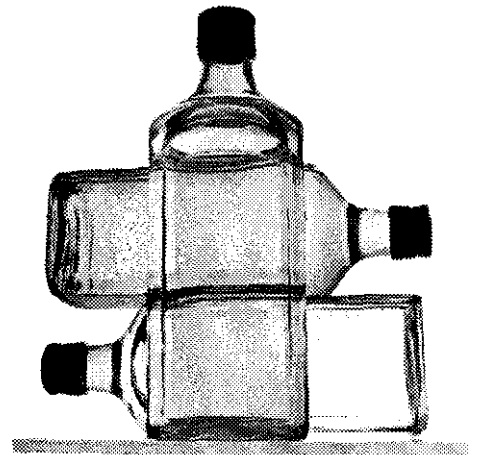


**Primark**

Primark has used its marketing and buying skills to create branded ranges which appeal to specific customer groups, such as the 'Early Days' babywear together with 'Young Dimension' and 'Rebel' for older children.

**Allied Glass Containers**

Following extensive capital investment at both sites, the newly merged Allied Glass Containers can produce 650 million units a year for the food and drink industries.



retail and packaging continued

Our retail textile business, represented by Primark in the UK and Penneys in Ireland, again achieved excellent results with sales up 18% and profits up 19% on last year. Our value for money formula has continued to prove extremely popular in the high street and like-for-like sales grew by 10% over last year.

During the year we opened our 100th store following the opening of the stores acquired last year from the Co-op. New stores were opened in Hereford, Reading, Barnstaple, Lisburn, Basildon, Hemel Hempstead, Wrexham, Stevenage, Hammersmith, Romford, Taunton and Wigan. Following these new openings our total retail sales area has increased to nearly 1.5 million square feet and our stores now

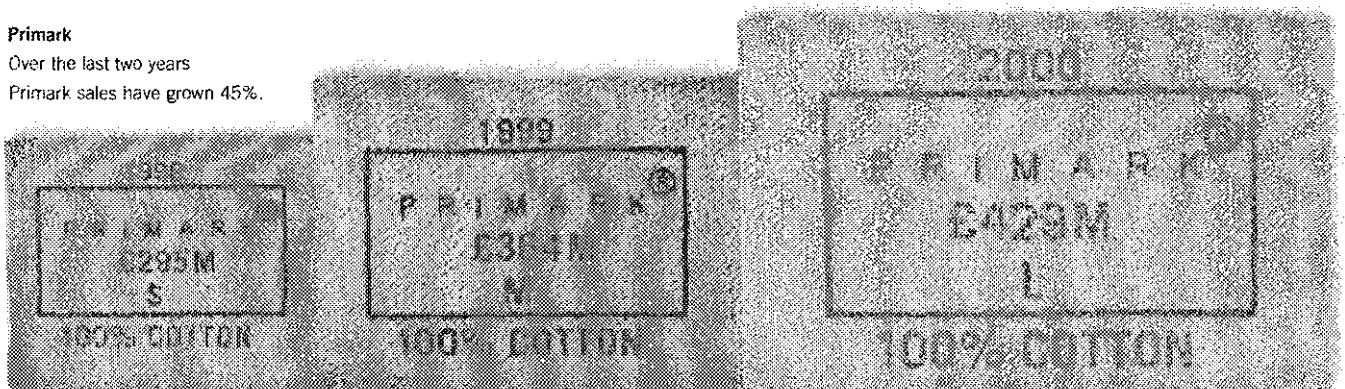
employ a total of over 6,200 people throughout the UK and Ireland. Following the closure of four smaller stores the total at the year end was 96. The average size of our stores has consistently increased over the years and the Hammersmith and Reading stores have nearly 30,000 square feet of retail space each.

During the year the UK operations and buying functions were combined and moved to the refurbished premises in Reading where buying, administration, operations and personnel are now located. After the year end we announced that six new stores have been acquired from C&A. The purchase of a number of further sites is currently being negotiated.

Our glass packaging businesses, Lax & Shaw and Gregg & Company, have now merged and trade under the Allied Glass Containers name. They achieved an increased share in an oversupplied market helped by capital investments across the business which resulted in higher productivity and improved product quality. The recent programme of modernisation at both plants, Knottingly and Leeds, is now complete and the combined strengths of the two companies in the food and liquor sectors will provide a solid platform for growth and improved margins.

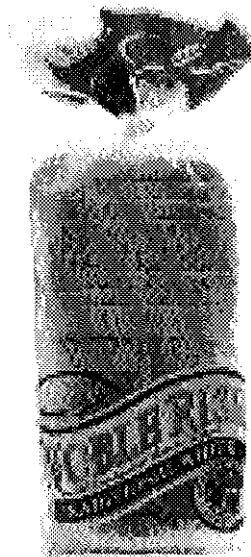
**Primark**

Over the last two years Primark sales have grown 45%.



### Sydney Olympic Games

George Weston Foods celebrated a successful association with the Sydney 2000 Olympic Games as the official provider of biscuits, packaged cakes, ham and bacon, smallgoods and cleaning products.



### Baking

The baking division launched Noble Rise, a traditional bread range developed in Queensland. The Tip Top brand was relaunched and the reinvigoration of the Golden brand also continued.

## australia and new zealand continued

George Weston Foods, our major food processor in Australia and New Zealand, achieved much improved results. Sales in local currency increased by 10% and profits increased by £10 million to £27 million. This improvement reflected improved trading, the acquisition of the Don Smallgoods business and a reduction in the costs associated with upgrading its information technology.

The consumer products divisions sharpened their marketing during the year with a more innovative and market-focused approach to their products. The baking division launched Noble Rise, a premium bread range developed in Queensland, and Ruby's Home Bake, Australia's first branded consumer par-bake bread range. A number of brands were successfully relaunched including Tip Top and Golden.

The biscuit and cake division improved profits over last year. The biscuit range was relaunched with packaging emphasising the Weston's brand and was supported by a major marketing campaign and benefited, together with a number of other products, from its successful association as an Official Provider to the Sydney 2000 Olympic Games. It enabled the company not only to showcase these products but also to reward staff with tickets to events for outstanding contribution to the business.

The milling division experienced strong domestic and export sales. Capital was invested in the reconditioning of plant and equipment in Queensland and the commissioning of a new flour mill in Port Adelaide.

The meat and dairy division performed well despite increased input costs. Don's has met expectation since acquisition in October 1999 and the integration of its operations with Chapman's is on schedule with the transfer of meat processing from Nairne, South Australia to Melbourne.

The upgraded group information technology system is now operational and the focus will be to maximise the benefit from this.

Peter Jackson  
**Chief Executive**

## finance director's report



### Group performance

Sales for the group including its share of joint ventures increased by 2%, or £106 million, to £4,414 million. Sales were not materially affected by currency translation.

Operating profit before exceptional items and the amortisation of goodwill increased by 4%, or £14 million, to £340 million. The most significant impact of currency movements compared to last year was in British Sugar where the weakening of the euro reduced the sugar support price and reduced profits by £19 million. In addition, the effect of currency on the translation of our overseas results reduced profits by a further £4 million.

The exceptional operating charge of £130 million reflects the results of a review of the group's activities undertaken during the year. The group has now embarked upon a programme to dispose of, close or restructure a number of its manufacturing and processing facilities worldwide. The charge comprises £118 million write down of fixed asset carrying values and, where a constructive obligation has been created, provision has been made for an estimate of the associated cash costs, including redundancy, amounting to £12 million.

During the year the group disposed of its low margin UK own label ice-cream and wheat starch businesses. The net proceeds from the disposals covered their net asset values resulting in no significant impact on the profit and loss account.

Investment income decreased from £84 million in 1999 to £61 million this year. This mainly reflects the lower funds available for investment following the payment of the special dividend at a cost of £448 million on 14 May 1999 but also the lower average interest rate this year compared to 1999.

Profit before tax reduced from £300 million to £247 million as a result of the higher level of exceptional charges in 2000 and the lower investment income.

### Taxation

The tax charge of £111 million represents an effective tax rate of 29.0% (1999 – 29.6%) on the profits from underlying operations. No tax relief is available on the exceptional items and amortisation of goodwill.

### Earnings and dividends

After the effect of the exceptional charges and lower investment income, earnings decreased by £46 million to £138 million. The weighted average number of shares in issue decreased from 860 million to 789 million as a result of the share consolidation that took place on 7 May 1999. Earnings per ordinary share decreased from 21.4p to 17.5p. However, after adjusting for exceptional items and amortisation of goodwill, earnings per share increased by 8% from 31.7p to 34.1p. The first interim dividend of 4.25p and a second interim dividend of 7.0p will produce an increase of 5% for the year. Dividends will cost a total of £89 million.

Dividend cover, after adjusting for exceptional items and amortisation of goodwill, is 3.0 times (1999 – 2.9 times). £49 million will be transferred to reserves.

### Balance sheet

Net cash funds, being current asset investments and cash at bank less short term borrowings and loans, increased by £110 million to £981 million, reflecting the cash generated by the group in the year.

Fixed assets marginally declined by £20 million to £1,647 million with additions from capital expenditure and acquisitions being more than offset by depreciation, disposals and the asset write down of £118 million included in the exceptional charge. Working capital, being stocks and debtors less other creditors and provisions, was virtually unchanged.

As a consequence the group's net assets increased by £88 million to £2,841 million.

A currency gain of £50 million arose on the translation into sterling of the group's non-sterling net assets principally relating to the group's net assets in the US.

### Cash flow

Net cash flow from operating activities was £445 million, a £25 million increase on last year.

Capital expenditure during the year was £182 million and has been used principally

to upgrade, modernise and expand existing manufacturing facilities and also for investment in new Primark stores.

The acquisition spend during the year was £78 million and the more significant purchases were Röhm Enzyme in Germany and the Lonza polyol business in the US. Disposals proceeds were £54 million for the UK ice-cream and wheat starch businesses.

#### Treasury policy and controls

The group's cash and current asset investments totalled £1,198 million at the year end including some £800 million placed with professional investment managers who have full discretion to act within closely monitored and agreed guidelines.

The investment objective is to preserve the underlying assets, whilst achieving a satisfactory return. The investment guidelines are kept under constant review with the objective of monitoring and controlling risk levels. The 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 rate exposure and type of investment instrument. Aggregate limits for each category of investment and risk exposure are set for each manager.

The group's UK working cash balances are managed by a central treasury department operating under strictly controlled guidelines,

which also arranges term bank finance, as and when necessary, to finance short term working capital requirements particularly for the sugar beet and wheat harvests.

Futures contracts used as hedges in commodity trading operations are tightly controlled within set limits and transactions of a speculative nature are not undertaken.

#### Foreign currency

The group's divisions operate mainly in their local currency and as a result the group's transaction exposure to exchange rate movements is minimal. Significant cross-border transactions are covered by forward purchases and sales of foreign currency, or foreign currency options as appropriate.

The group does not hedge the translation effect of exchange rate movements on the profit and loss account. The group regards its interest in its overseas subsidiary undertakings as long term investments and does not hedge the translation effect of exchange rate movements on them.

#### Post balance sheet events

On 27 October 2000, the group announced the sale of Burton's, the UK biscuit and sugar confectionery business, realising proceeds of £130 million. The net assets of the business were approximately £87 million at the time of sale and the operating profit was £10 million, £7 million after rationalisation costs, in the year to September 2000.

Other disposals announced were the sale of Rowallan, an industrial fats business, and the pig business of ABN. A small loss will be reported on the sale of these businesses but the effect is expected to be earnings enhancing.

On 6 November 2000 negotiations were concluded for the acquisition of the branded foodservice oil business from Procter & Gamble by ACH in the US, with completion scheduled for January 2001. Annual sales of this business in its last financial year were \$127 million.

#### Financial reporting standards and accounting policies

FRS15 – 'tangible fixed assets' and FRS16 – 'current tax' have been adopted in the current year's financial statements. There have been no other changes to the group's accounting policies from the previous year.

John Bason  
**Finance Director**

## board of directors

### Executive directors

#### **Harold W Bailey (age 64)**

A director since 1979, he was appointed Chairman in May 2000. He is a member of the Institute of Chartered Accountants of Scotland, and is a director of Wittington Investments Limited.

#### **George G Weston (age 36)**

Appointed to the board on 19 April 1999, he was appointed Deputy Chairman in May 2000. He first joined the company in 1988 as manager of the group's flour milling operations in Melbourne, Australia. He is Chief Executive of Allied Bakeries and is a director of Wittington Investments Limited.

#### **Garry H Weston (age 73)**

A director since 1949, he was Chairman of the company between 1967 and 1999. Mr Weston was a director of Wittington Investments Limited until his resignation on 18 October 2000. He will retire from the board at the conclusion of the annual general meeting in December 2000.

#### **Peter J Jackson (age 53)**

A director since 1992, he was appointed Chief Executive on 1 June 1999. He was previously Chief Executive of British Sugar.

#### **John G Bason (age 43)**

Appointed Finance Director in May 1999, he was previously the finance director of Bunzl plc and is a member of the Institute of Chartered Accountants in England and Wales.

† Independent non-executive director

Professor Sir Roland Smith is the senior independent director.

Harold W Bailey, Professor Sir Roland Smith, Rt. Hon. John RR MacGregor and Martin G Adamson are members of the Remuneration and Nomination committees.

Professor Sir Roland Smith, Rt. Hon. John RR MacGregor and Martin G Adamson are members of the Audit committee. Garry H Weston was a member of the Audit committee until his resignation on 18 October 2000.

### Non-executive directors

#### **WG Galen Weston OC (age 60)**

A director since 1964, he is Chairman of George Weston Limited, Canada, a director of Canadian Imperial Bank of Commerce and Chairman of Holt, Renfrew & Co and of Brown Thomas, Ireland. He is a director of Wittington Investments Limited.

#### **Professor Sir Roland Smith (age 72)†**

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.

#### **Rt. Hon. John RR MacGregor (age 63)†**

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, Uniq plc and Friends Provident.

#### **Martin G Adamson (age 61)†**

Appointed a director on 11 October 1999, he was a senior partner of KPMG and a member of that firm's board until 1996. He is a member of the Institute of Chartered Accountants of Scotland, and is Chairman of Compass Group Pension Trustee Company Limited.

## directors' report

The directors submit to the members their sixty-fifth annual report together with the financial statements of the company for the 52 weeks ended 16 September 2000.

### Profits and dividends

The group profit and loss account is on page 44. Profit for the financial year amounted to £138 million and the dividends to £89 million. Dividends are detailed in note 8 on page 54.

### Review of activities

The activities of the group principally concern the processing and manufacture of food in Europe, Australia, the US and Asia, and textile retailing in the UK and the Republic of Ireland. Comments on the development of the business during the period under review and on the future outlook are contained within the Chairman's statement, the Chief Executive's report and the Finance Director's report on pages 3 to 27.

### Tangible fixed assets

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

### Substantial shareholdings

Details of a controlling interest in the shares of the company are given in note 30 on page 66.

At 14 November 2000, The Patrimony Fund Limited is the beneficial owner of 24,466,150 shares representing 3.09% of the issued ordinary shares in the company.

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 9 December 1999, 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 8 December 2004. No such shares have been issued. The directors propose to renew this authority at the annual general meeting to be held on 15 December 2000 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 15 December 2000 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 exercise of options is not subject to specified performance criteria.

## directors' report continued

### New share option scheme

Subject to the approval of shareholders at the forthcoming annual general meeting, the company is proposing to establish a new share option scheme for selected qualifying employees. Further information about the new scheme is contained in the letter to shareholders which accompanies this report.

### Research and development

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

The group has major technical centres in the UK at Weston Research Laboratories, British Sugar, and the animal feed Central Laboratories. Facilities also exist at ACH Food Companies in the US, Weston Technologies in Australia and Röhm Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

### UK charitable and political contributions

Contributions to charitable organisations by the group during the year totalled £0.3 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 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 384 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.

### 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, which are designed to keep employees and their representatives briefed on all relevant matters.

The group is committed to a policy to offer equal opportunities to all persons in their recruitment, training and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the company, an opportunity for retraining.

#### Directors

The names of the persons who were directors of the company as at 14 November 2000 appear on page 28.

Garry H Weston will retire at the conclusion of the annual general meeting to be held on 15 December 2000.

Following his retirement from the company, Trevor HM Shaw resigned as a director on 31 May 2000.

Martin G Adamson was appointed to the board on 11 October 1999.

In accordance with the Articles of Association, Peter J Jackson and Rt. Hon. John RR MacGregor retire from the board by rotation and, being eligible, offer themselves for re-election.

#### Directors' remuneration report

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. Under the terms of the group's existing arrangements:

- i) performance related bonuses are not awarded other than in exceptional circumstances, except that Peter J Jackson is entitled to an award in the event that the quoted mid-market price of the company's ordinary shares reaches a pre-determined target.
- ii) subject to the rules of the company's Share Option Scheme, Peter J Jackson and John G Bason are both entitled to receive an allocation of share options for each of the next five years and each of the next three years respectively, commencing December 1999.

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 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.

At the annual general meeting to be held in December 2000, shareholders will be asked to approve a performance related Share Option Scheme. Under this proposed scheme, key executives, including executive directors, selected by the Remuneration committee, will be granted options which will become exercisable upon the achievement of predetermined performance targets.

It is proposed that a performance related bonus scheme will be introduced during 2000/01. Bonuses, based on annual performance, will be awarded to senior executives, including executive directors.

No director has a contract of service with the company which is determinable after one year.

## directors' report continued

The remuneration of the directors was as follows:

	Salary or fees £'000	Benefits £'000	<b>2000</b> <b>Total</b> <b>£'000</b>	1999 Total £'000
Harold W Bailey	160	7	<b>167</b>	118
George G Weston	160	7	<b>167</b>	71
Garry H Weston	212	7	<b>219</b>	399
Peter J Jackson	374	16	<b>390</b>	302
Trevor HM Shaw (resigned 31 May 2000)	125	16	<b>141</b>	197
John G Bason	289	12	<b>301</b>	108
David NC Garman (resigned 16 April 1999)	-	-	-	146
WG Galen Weston	-	-	-	-
Rt. Hon. John RR MacGregor	28	-	<b>28</b>	20
Professor Sir Roland Smith	28	-	<b>28</b>	20
Martin G Adamson (appointed 11 October 1999)	26	-	<b>26</b>	-
	1,402	65	<b>1,467</b>	1,381

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

Pension benefits earned by the directors (1):

	Age at year end	Normal retirement age	Directors' contributions in the year (2)		Increase in accrued pension entitlement during the year (3)		Accumulated total accrued pension at year end (4)	
			<b>2000</b> <b>£'000</b>	1999 £'000	<b>2000</b> <b>£'000</b>	1999 £'000	<b>2000</b> <b>£'000</b>	1999 £'000
George G Weston	36	65	<b>8</b>	3	<b>7</b>	2	<b>20</b>	13
Peter J Jackson	53	60	-	-	<b>29</b>	13	<b>150</b>	121
John G Bason	43	62	<b>14</b>	5	-	-	-	-

(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.

(2) Contributions paid or payable in the year by the directors under the terms of the scheme.

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

(4) John G Bason is accruing pension but does not have an entitlement to that pension until he has completed two years' service with the company.

(5) The company paid a pension to a former director of £91,000 (1999 - £91,000).

Dependants' pensions – A 50% spouse's pension is payable on death or after retirement. In respect of Peter J 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, restricted each year to 5%. Additional discretionary increases have been granted in the past.

At 16 September 2000, the following directors had outstanding options to acquire ordinary shares of Associated British Foods plc.

	At 18.9.99 Number	Granted	At 16.9.00 Number	Exercise price	Date from which exercisable	Expiry date
Peter J Jackson	100,000	–	100,000	561.50p	28.4.2003	27.4.2008
	–	100,000	100,000	345.25p	10.12.2004	9.12.2009
George G Weston	15,000	–	15,000	561.50p	28.4.2003	27.4.2008
John G Bason	100,000	–	100,000	467.00p	11.5.2004	10.5.2009

No other directors held any options during the year and no options granted to directors lapsed or were exercised during the year.

The mid-market price of the shares at 16 September 2000 was 335p. The highest mid-market price during the year was 478p and the lowest mid-market price was 294.25p.

## directors' report continued

### Directors' beneficial interests

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

	16 September 2000	18 September* 1999
<b>Harold W Bailey</b>		
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	140,800	140,800
Fortnum & Mason PLC, ordinary shares of 5p	1,000	1,000
<b>George G Weston</b>		
Wittington Investments Limited, ordinary shares of 50p	5,862	5,862
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	3,146,761	3,146,761
<b>Peter J Jackson</b>		
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	17,600	17,600
<b>Garry H Weston</b>		
Wittington Investments Limited, ordinary shares of 50p	4,925	4,925
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	610,124	610,124
George Weston Foods Limited, ordinary shares of 50 cents	2,017	2,017
<b>John G Bason</b>		
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	1,500	1,500
<b>WG Galen Weston</b>		
Wittington Investments Limited, ordinary shares of 50p	37,953	37,953
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	5,672,560	5,672,560
<b>Rt. Hon. John RR MacGregor</b>		
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	2,045	2,045
<b>Martin G Adamson</b>		
Associated British Foods plc, ordinary shares of 5 $\frac{1}{2}$ p	10,000	10,000

\*Or date of appointment if later.

#### Controlling interest

The ultimate holding company of Associated British Foods plc is Wittington Investments Limited, which together with its subsidiary undertaking, Howard Investments Limited, held 54.5% of the total issued ordinary share capital.

#### Non-beneficial interests

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

- 1 Garry H Weston, WG Galen Weston and George G Weston are trustees of a trust, in which they have no beneficial interest, which at 16 September 2000 held 683,073 ordinary shares of 50p (1999 – 683,073) in Wittington Investments Limited.
- 2 Harold W Bailey is a trustee of a trust, in which he has no beneficial interest, which at 16 September 2000 held 38,665 ordinary shares of 5<sup>15</sup>/<sub>22</sub>p (1999 – 38,665) in Associated British Foods plc.
- 3 Garry H Weston is a trustee of trusts, in which he has no beneficial interest, which at 16 September 2000 held 1,358,665 ordinary shares of 5<sup>15</sup>/<sub>22</sub>p (1999 – 1,358,665) in Associated British Foods plc.

#### Subsequent changes

The interests shown above remained the same at 14 November 2000.

#### The environment

The group is committed to enhancing its environmental performance through programmes of continual review. These programmes are devised and implemented by the trading divisions and reflect their specific trading activities. As a minimum, the divisions have adopted procedures so that:

- relevant legislation is met;
- emissions to air, releases to water and landfilling of solid wastes do not cause unacceptable environmental impacts and do not offend the community. Significant plant and process changes are assessed and authorised in advance to prevent any adverse environmental impact;
- energy is used efficiently and consumption is monitored;
- raw material waste is minimised;
- solid waste is reduced, re-used or recycled where practicable;

## directors' report continued

- the amount of packaging used for group products is minimised, consistent with requirements for food safety and product protection;
- products are transported efficiently to minimise fuel usage, consistent with customers' demands, production arrangements and vehicle fleet operations;
- accidents are prevented so far as is reasonably practicable. Effective emergency response procedures are in place to minimise the impact of foreseeable incidents.

The Company Secretary is responsible to the board for environmental performance.

### Environmental activities during 2000

Each UK company has reviewed its environmental performance and produced an annual summary for the board. Key performance indicators have been established which include carbon dioxide emissions from energy consumption, water usage and waste generated by group operations.

Divisional and operational site targets for energy reduction have been set in line with food industry sector goals established to meet the strategic objectives behind the Government's Climate Change Levy proposals.

An independent survey of manufacturing sites, commissioned in late 1999, concluded that waste minimisation practices were of a high standard. The results of this survey have been disseminated to all divisions to provide examples of best practice and improve group performance.

The group's environmental policy and annual report of activities is now published on its internet site at [www.ABF.co.uk](http://www.ABF.co.uk).

Commitment to minimise any adverse impact on the environment has been maintained and is clearly demonstrated by the following examples of significant achievements within various group operations:

The ABN mill at Bury St Edmunds is being linked to the neighbouring, highly efficient, combined heat and power plant at British Sugar to provide "clean" electricity.

Allied Bakeries has worked with the government's ETSU Best Practice Programme to develop an Energy Guide for Industrial Bakeries. The company is seeking to recover the waste heat generated by the baking process. To this end it is providing a test site and flue gas analysis data with which to design a high efficiency, low maintenance, cost effective air-to-water heat exchanger for oven flues.

Allied Mills has trialled the use of barges to transport wheat to its Manchester mill. The company has also re-organised its delivery fleet regionally and reduced the mileage travelled by 3%. This extends the very successful scheme which has operated for some years whereby grain is delivered by barges to the Tewkesbury mill, thus eliminating many hundreds of lorry movements through this ancient town.

Fishers has significantly upgraded dust prevention equipment on the grain dryer at its Cranswick site, by investing in reverse jet filtration. Dust emissions from its two seed plants will be significantly reduced by new abatement equipment.

Sullivan Poultry has continued to invest in fuel efficient heavy goods vehicles with a consequent reduction in pollution. 40% of its delivery fleet is now to this high standard.

Lax & Shaw has reduced the use of organic solvents on its bottle coating process and now use predominantly water-based paints.

Mauri Products has achieved a 5% reduction in the distance travelled by its delivery fleet by rationalising delivery schedules and reducing the frequency of deliveries whilst maintaining customer service levels. In addition the company has achieved a 20% reduction in waste sent to landfill by spray drying yeast and selling it as animal feed, and by the use of bulk chemical storage which reduces packaging waste.

Primark has installed building management systems to reduce energy consumption. Heat recovery systems have been installed where possible on the air handling units.

Speedibake's Bradford plant has expanded its refrigeration units using ammonia as the refrigerant rather than the traditional chlorofluorocarbons (CFCs). This will contribute to the UK's commitment to phase out the use of ozone-depleting substances.

#### Environmental actions for 2001

Measurement against key performance indicators will be developed further during the coming year and the aim is to be sufficiently confident in its accuracy to include quantifiable data in the 2001 report and on our internet website.

## directors' report continued

### Corporate governance

Corporate governance has been and remains the responsibility of the whole board. This statement describes how the company applies the principles and complies with the provisions of the Combined Code – Principles of Good Governance and Code of Best Practice ("The Combined Code").

### Compliance

Following publication, the board took all steps necessary to achieve compliance with the provisions set out in Section 1 of the Combined Code. In particular, the following action has been taken during the year:

- Martin G Adamson was appointed as an independent non-executive director on 11 October 1999.
- A resolution proposing an amendment to the company's Articles of Association requiring all directors to be subject to re-election every three years, was approved by shareholders at the annual general meeting held in December 1999.
- The results of proxy votes on each resolution will be conveyed to shareholders at the forthcoming annual general meeting.

After implementation of these changes the board considers that it was and continues to be in full compliance with the Code provisions set out in Section 1 of the Combined Code with the following exceptions:

- The Combined Code recommends that the Remuneration committee should only comprise non-executive directors. The board of Associated British Foods plc does not accept this recommendation as it considers that Harry Bailey, Executive Chairman, should serve on the committee in view of his extensive knowledge of the business and its people.
- The Combined Code recommends that the Audit committee should only comprise non-executive directors. In view of his knowledge of the business, Garry Weston served on the Audit committee until his resignation from that committee on 18 October 2000.
- The Combined Code recommends that the performance related elements of remuneration should form a significant proportion of the total remuneration of executive directors. The group has not in the past awarded performance related bonuses other than in exceptional circumstances. As noted previously, it is intended to introduce performance related bonuses and, subject to shareholder approval, a share option scheme for senior executives, including executive directors.

The statement of directors' responsibilities for preparing the financial statements is set out on page 42.

#### The board

The board of directors meets regularly and concentrates mainly on strategy, direction and financial performance. The board is chaired by Harold W Bailey and Peter J Jackson is Chief Executive. Details of the full board are set out on page 28. Professor Sir Roland Smith is the recognised Senior Independent Director. For the purposes of the Combined Code, WG Galen Weston is not regarded as independent. The board has a formal schedule of matters reserved for its decision, but also delegates specific responsibilities to board committees, notably the Audit, Remuneration and Nomination committees. Directors receive board and committee papers in advance of meetings and also have access to the advice and services of the Company Secretary. The board has adopted a procedure whereby directors may, in the furtherance of their duties, take independent professional advice on any matter at the company's expense.

The group's organisational structure is decentralised, based on short lines of communication. Management responsibilities for major operating divisions are devolved to divisional chief executives reporting directly to the Chief Executive. George Weston Foods Limited is a quoted Australian public company having its own separate board, chaired by John H Pascoe.

#### Board committees

##### *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.

##### *Nomination committee*

The Nomination committee reviews the composition of the board and recommends to the board appointments of new executive and non-executive directors of the company.

##### *Audit committee*

The Audit committee has terms of reference modelled closely upon those recommended in the Combined Code. It comprises the independent non-executive directors and is chaired by Professor Sir Roland Smith. It meets regularly to receive and review reports from the external auditors and from management. As part of its duties, the committee receives and considers reports on the systems of internal control.

#### Communication with shareholders

Apart from the annual general meeting, the company communicates with its shareholders by way of the annual report and accounts, the half-yearly interim report and the company's website. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements.

The company also holds meetings with its major institutional shareholders to discuss the company's operations.

## directors' report continued

### Internal financial controls

The directors are responsible for the group's system of internal control, financial and otherwise, and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Combined Code introduced a requirement that the directors review the effectiveness of the group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

### Guidance for directors on internal control

Guidance for directors on the Combined Code (the Turnbull Guidance) was published in September 1999. Following publication of this guidance, the directors have undertaken a review of the group's risk management practices and internal controls in order to establish the procedures required to comply with the Turnbull report for the year ended September 2001. The directors have reported only upon internal financial controls this year.

The directors confirm that they have reviewed the system of internal financial control utilising the review process set out below:

- **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 it has complied with its established policy and procedures.

- **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 are investigated thoroughly.

A significant part of the group's cash reserves is managed by independent fund managers operating within detailed guidelines specified by the group relating to, inter alia, permitted investments and counter parties, currency exposures and approved instruments. The balance of the group's cash reserves is managed by its treasury function in accordance with guidelines referred to in the Finance Director's report.

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

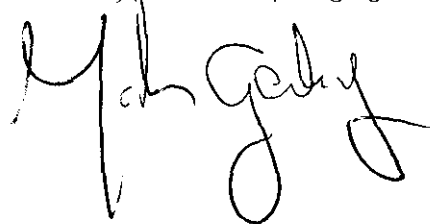
- **Review**

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.

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 on pages 44 to 67.

By order of the board  
**Mark Geday** Secretary  
14 November 2000

A handwritten signature in black ink, appearing to read 'Mark Geday', written in a cursive style.

## directors' responsibilities

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 and at any time, the financial position of the company and 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 44 to 67. We have also examined the amounts disclosed relating to emoluments, share options and directors' pension entitlements which form part of the directors' report on pages 31 to 33.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 42 this includes responsibility for preparing the financial statements in accordance with applicable UK law and accounting standards. Our responsibilities, as independent auditors, are established in the UK by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 38 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

## Basis of audit 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 mis-statement, 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 16 September 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**

*KMG Audit Plc*

Chartered Accountants

Registered Auditor

London

14 November 2000

# consolidated profit and loss account

for the year ended 16 September 2000

	Note	Continuing operations before exceptional items £m	Exceptional items £m	Total 2000 £m	Continuing operations before exceptional items £m	Exceptional items £m	Total 1999 £m
<b>Turnover of the group including its share of joint ventures</b>		<b>4,414</b>	–	<b>4,414</b>	4,308	–	4,308
Less share of turnover of joint ventures		(8)	–	(8)	(9)	–	(9)
<b>Group turnover</b>	1	<b>4,406</b>	–	<b>4,406</b>	4,299	–	4,299
Operating costs	2	(4,079)	(130)	(4,209)	(3,982)	(84)	(4,066)
<b>Group operating profit</b>		<b>327</b>	<b>(130)</b>	<b>197</b>	317	(84)	233
Share of operating results of – joint ventures		3	–	3	2	–	2
– associates		4	–	4	2	–	2
<b>Total operating profit</b>	1	<b>334</b>	<b>(130)</b>	<b>204</b>	321	(84)	237
Operating profit before exceptional items and amortisation of goodwill		340	–	340	326	–	326
Exceptional items	1	–	(130)	(130)	–	(84)	(84)
Amortisation of goodwill		(6)	–	(6)	(5)	–	(5)
Profits less losses on sale of properties		8	–	8	4	–	4
Investment income	5	61	–	61	84	–	84
<b>Profit on ordinary activities before interest</b>		<b>403</b>	<b>(130)</b>	<b>273</b>	409	(84)	325
Interest payable	6	(26)	–	(26)	(25)	–	(25)
<b>Profit on ordinary activities before taxation</b>		<b>377</b>	<b>(130)</b>	<b>247</b>	384	(84)	300
Tax on profit on ordinary activities	7	(111)	–	(111)	(115)	–	(115)
<b>Profit on ordinary activities after taxation</b>		<b>266</b>	<b>(130)</b>	<b>136</b>	269	(84)	185
Minority interests – equity		(3)	5	2	(1)	–	(1)
<b>Profit for the financial year</b>		<b>263</b>	<b>(125)</b>	<b>138</b>	268	(84)	184
Dividends – interim	8	(89)	–	(89)	(85)	–	(85)
– special interim	8	–	–	–	(448)	–	(448)
<b>Transfer to/(from) reserves</b>	21	<b>174</b>	<b>(125)</b>	<b>49</b>	(265)	(84)	(349)
Basic and diluted earnings per ordinary share	9	<b>33.3p</b>	<b>(15.8)p</b>	<b>17.5p</b>	31.1p	(9.7)p	21.4p
Earnings per ordinary share before amortisation of goodwill	9	<b>34.1p</b>	<b>(15.8)p</b>	<b>18.3p</b>	31.7p	(9.7)p	22.0p

The group has made no material acquisitions nor discontinued any operations within the meaning of the Financial Reporting Standards during either 2000 or 1999.

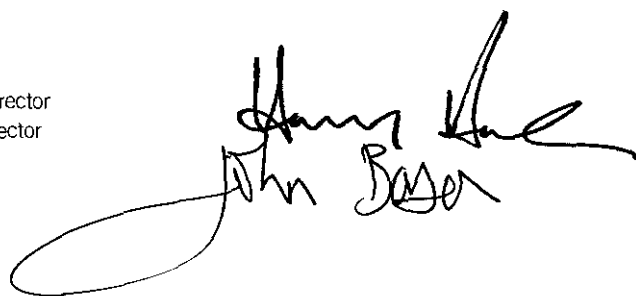
# consolidated balance sheet

at 16 September 2000

	Note	2000 £m	1999 £m
<b>Fixed assets</b>			
Intangible assets – goodwill	10	151	108
Tangible assets	11	1,459	1,528
		<b>1,610</b>	1,636
Interest in net assets of – joint ventures	13	12	7
– associates	13	11	8
Other investments	13	14	16
Total fixed asset investments		<b>37</b>	31
		<b>1,647</b>	1,667
<b>Current assets</b>			
Stocks	14	496	464
Debtors	15	526	491
Investments	16	1,133	1,030
Cash at bank and in hand		65	51
		<b>2,220</b>	2,036
<b>Creditors amounts falling due within one year</b>			
Short term borrowings	17	(57)	(53)
Other creditors	18	(735)	(680)
		<b>(792)</b>	(733)
<b>Net current assets</b>		<b>1,428</b>	1,303
<b>Total assets less current liabilities</b>		<b>3,075</b>	2,970
<b>Creditors amounts falling due after one year</b>			
Loans	17	(160)	(157)
Other creditors	18	(11)	(10)
		<b>(171)</b>	(167)
<b>Provisions for liabilities and charges</b>	19	<b>(63)</b>	(50)
		<b>2,841</b>	2,753
<b>Capital and reserves</b>			
Called up share capital	20	47	47
Revaluation reserve	21	3	3
Other reserves	21	173	173
Profit and loss account	21	2,540	2,451
<b>Equity shareholders' funds</b>		<b>2,763</b>	2,674
<b>Minority interests in subsidiary undertakings – equity</b>		<b>78</b>	79
		<b>2,841</b>	2,753

These financial statements were approved by the board of directors on 14 November 2000 and were signed on its behalf by:

Harry Bailey Director  
John Bason Director



# consolidated cash flow statement

for the year ended 16 September 2000

	Note	2000 £m	1999 £m
<b>Cash flow from operating activities</b>	25	<b>445</b>	420
<b>Dividends from joint ventures</b>		<b>2</b>	1
<b>Dividends from associates</b>		<b>1</b>	2
<b>Return on investments and servicing of finance</b>			
Dividends and other investment income		51	90
Interest paid		(26)	(24)
Dividends paid to minorities		(2)	(2)
		<b>23</b>	64
<b>Taxation</b>		<b>(106)</b>	(120)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		(182)	(259)
Sale of tangible fixed assets		32	16
Purchase of equity investments		(7)	(1)
Sale of equity investments		17	10
Purchase of own shares		-	(1)
		<b>(140)</b>	(235)
<b>Acquisitions and disposals</b>			
Purchase of new subsidiary undertakings	26	(73)	(153)
Purchase of joint ventures and associates		(5)	(3)
Sale of subsidiary undertakings	26	54	-
		<b>(24)</b>	(156)
<b>Equity dividends paid</b>		<b>(85)</b>	(538)
<b>Net cash inflow/(outflow) before use of liquid funds and financing</b>		<b>116</b>	(562)
<b>Management of liquid funds</b>	28	<b>104</b>	(541)
<b>Financing</b>	27	<b>(1)</b>	(1)
<b>Increase/(decrease) in cash</b>		<b>13</b>	(20)
		<b>116</b>	(562)

## consolidated statement of total recognised gains and losses

for the year ended 16 September 2000

	2000 £m	1999 £m
<b>Profit for the financial year</b>	<b>138</b>	184
Currency translation differences on foreign currency net assets	50	26
Tax on currency translation differences	(12)	–
<b>Total recognised gains and losses</b>	<b>176</b>	210

## consolidated statement of historical cost profits

for the year ended 16 September 2000

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 16 September 2000

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
<b>Profit for the financial year</b>	<b>125</b>	408	<b>138</b>	184
Dividends – interim	(89)	(85)	(89)	(85)
– special interim	–	(448)	–	(448)
<b>Transfer to/(from) reserves</b>	<b>36</b>	(125)	<b>49</b>	(349)
Goodwill written back	–	–	2	–
Other recognised gains and losses relating to the year	–	–	38	26
<b>Net increase/(decrease) in shareholders' funds</b>	<b>36</b>	(125)	<b>89</b>	(323)
Opening shareholders' funds	179	304	2,674	2,997
<b>Closing shareholders' funds</b>	<b>215</b>	179	<b>2,763</b>	2,674

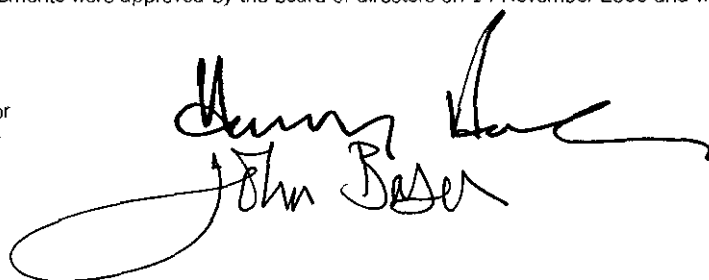
# company balance sheet

at 16 September 2000

	Note	2000 £m	1999 £m
<b>Fixed assets</b>			
Investment in own shares	13	10	12
Shares in subsidiary undertakings	24	284	253
		<b>294</b>	265
<b>Current assets</b>			
Debtors	15	1,310	996
Investments	16	195	80
Cash at bank and in hand		16	20
		<b>1,521</b>	1,096
<b>Creditors</b> amounts falling due within one year	18	<b>(1,600)</b>	(1,182)
<b>Net current liabilities</b>		<b>(79)</b>	(86)
		<b>215</b>	179
<b>Capital and reserves</b>			
Called up share capital	20	47	47
Profit and loss account	21	168	132
<b>Equity shareholders' funds</b>		<b>215</b>	179

These financial statements were approved by the board of directors on 14 November 2000 and were signed on its behalf by:

Harry Bailey Director  
John Bason 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 its subsidiary undertakings, together with the group's share of the results and net assets of its joint ventures and associates. The financial statements of the company and its subsidiary undertakings are made up for the 52 weeks ended 16 September 2000, except that, to avoid delay in the preparation of the consolidated financial statements, those of the Australian and New Zealand group and China and Poland are made up to 31 July 2000, and the North American subsidiary undertakings are made up to 31 August 2000.

## Acquisitions

The consolidated profit and loss account includes the results of new subsidiary undertakings, joint ventures and associates attributable to the period since change of control.

## Disposals

The results of subsidiary undertakings, joint ventures and associates 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 amount of any related goodwill previously written off directly to reserves, or the net amount of goodwill remaining unamortised, as appropriate.

## Intangible fixed assets

Intangible fixed assets consist of goodwill arising on acquisitions since 13 September 1998, being the excess of the fair value of the purchase consideration of new subsidiary undertakings, joint ventures and associates over the fair value of net assets acquired. Goodwill is capitalised in accordance with FRS10 and amortised over its useful economic life, not exceeding 20 years. Goodwill previously written off against reserves has not been reinstated.

## Tangible fixed assets

Fixed assets are carried at their original cost less accumulated depreciation.

## Foreign currencies

Assets and liabilities denominated in foreign currencies are converted into sterling at rates of exchange ruling at the balance sheet date, or at the contracted rate as appropriate. The assets and liabilities of overseas operations 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 are 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

Joint ventures and associates 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.

## accounting policies continued

### Depreciation

Depreciation is provided on the original cost of assets and is calculated on a straight line basis at rates sufficient to reduce them to their estimated residual value. No depreciation is provided on freehold land or payments on account. Leaseholds are written off over the period of the lease. The anticipated life of other assets is generally deemed to be not longer than:

Freehold buildings	66 years
Plant, machinery, fixtures and fittings	
– sugar factories	20 years
– other operations	12 years
Vehicles	8 years

### Leases

All material leases entered into by the group are operating leases, whereby substantially all of the risks and reward 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.

### Financial instruments

Forward foreign exchange contracts and currency options are used to hedge forecast transactional cash flows and accordingly, any gains or losses on these contracts are recognised in the profit and loss account when the underlying transaction is settled. Derivative commodity contracts are used to hedge committed purchases or sales of commodities and accordingly, any gains or losses on these contracts are recognised in the profit and loss account in the same accounting period as the underlying purchase or sale. Gains or losses arising on hedging instruments which are cancelled due to the termination of the underlying exposure are taken to the profit and loss account immediately.

### 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

for the year ended 16 September 2000

## 1. Analysis of turnover, profits and net assets

	2000 £m	1999 £m
<b>Turnover</b>		
<b>Geographical analysis (by origin and destination):</b>		
European Union, mainly UK and Ireland	3,037	2,962
Australia and New Zealand	608	548
North America	627	665
Elsewhere	134	124
<b>Group turnover</b>	<b>4,406</b>	<b>4,299</b>
<b>Business sector:</b>		
Manufacturing	3,977	3,935
Retail	429	364
<b>Group turnover</b>	<b>4,406</b>	<b>4,299</b>
<b>Profits</b>		
<b>Geographical analysis (by origin):</b>		
European Union, mainly UK and Ireland	280	284
Australia and New Zealand	27	17
North America	27	26
Elsewhere	6	(1)
<b>Total operating profit before exceptional items and amortisation of goodwill</b>	<b>340</b>	<b>326</b>
Exceptional items		
– European Union	(72)	(84)
– North America	(45)	–
– Elsewhere	(13)	–
Amortisation of goodwill		
– European Union	(1)	–
– North America	(5)	(5)
<b>Total operating profit</b>	<b>204</b>	<b>237</b>
<b>Business sector:</b>		
Manufacturing	289	283
Retail	51	43
<b>Total operating profit before exceptional items and amortisation of goodwill</b>	<b>340</b>	<b>326</b>
Exceptional items		
– manufacturing	(130)	(84)
Amortisation of goodwill – manufacturing	(6)	(5)
<b>Total operating profit</b>	<b>204</b>	<b>237</b>
Other net income	43	63
<b>Profit on ordinary activities before taxation</b>	<b>247</b>	<b>300</b>

### Exceptional items

The exceptional operating charge in the current year reflects the results of a review of the group's operations which has affected the carrying values and useful lives of certain assets (£86 million) and has given rise to the need to provide for an estimate of the associated cash costs (£12 million), including redundancy, where closure plans have been announced. A further fixed asset impairment charge (£32 million) has been made in respect of the group's UK manufacturing assets, based on their estimated value in use, using a weighted average cost of capital of 12.5%.

Exceptional items in the prior year relate to an FRS11 impairment charge in respect of fixed assets within the group's UK manufacturing activities, based on their estimated value in use, using a weighted average cost of capital of 12.5%.

## notes forming part of the financial statements continued

### 1. Analysis of turnover, profits and net assets continued

	2000 £m	1999 £m
<b>Net assets</b>		
<b>Geographical analysis (by origin):</b>		
European Union, mainly UK and Ireland	1,308	1,320
Australia and New Zealand	250	241
North America	382	331
Elsewhere	111	115
	<b>2,051</b>	<b>2,007</b>
<b>Business sector:</b>		
Manufacturing	1,869	1,861
Retail	182	146
	<b>2,051</b>	<b>2,007</b>
Net financial assets	790	746
	<b>2,841</b>	<b>2,753</b>

### 2. Operating costs

	2000 £m	1999 £m
Cost of sales (including exceptional items and amortisation of goodwill)	3,346	3,283
Distribution costs	600	568
Administration expenses	263	215
Operating costs	<b>4,209</b>	<b>4,066</b>
Operating costs are stated after charging:		
Staff costs	581	578
Amortisation of goodwill	6	5
Impairment of fixed assets	32	84
Depreciation of fixed tangible assets	206	142
Hire of plant and machinery	8	6
Rentals payable under property leases	19	18
Research and development	8	7

The remuneration of the auditors in respect of audit services provided to the group during the year was £1.9 million (1999 – £1.9 million) and £0.2 million (1999 – £0.2 million) in respect of audit 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 £2.7 million (1999 – £1.4 million).

### 3. Employees

	2000	1999
Average number of employees:		
European Union, mainly UK and Ireland	21,490	22,075
Australia and New Zealand	7,578	7,147
North America	2,222	2,157
Elsewhere	3,082	3,888
	<b>34,372</b>	<b>35,267</b>

	£m	£m
Staff costs – wages and salaries	538	538
– social security costs	30	30
– other pension costs	13	10
	<b>581</b>	<b>578</b>

### 4. Pension costs

The group operates pension schemes, the majority of which are of a defined benefit type. The pension cost charge for the year was £13 million (1999 – £10 million). The two main UK schemes provide benefits based on final pensionable earnings. The pension costs in the UK are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The last actuarial valuation of the British Sugar Pension Scheme was carried out as at 1 October 1998. This valuation used a traditional actuarial approach in which it was assumed that the investment return would exceed price inflation by 4% per annum, that salary increases would exceed price inflation by 2% per annum and that increases in dividends would lag price inflation by 0.5% per annum. The last valuation for the Associated British Foods Pension Scheme was carried out using a market related approach, as at 5 April 1999. Under this approach the actuarial value of the assets was taken as their market value at the valuation date. It was assumed that the investment return prior to retirement would exceed price inflation by 2.5% per annum and post retirement by 2% per annum. Salary increases were assumed to exceed price inflation by 2% per annum. At the valuation dates the total market value of the two major schemes' assets was £1,857 million and the value of these assets for actuarial valuation purposes represented 130% 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, the US and the Republic of Ireland. The charge for the year is based on recommendations by qualified local actuaries.

### 5. Investment income

	2000	1999
	£m	£m
Dividends from current asset equity investments	1	2
Interest from other current asset investments	53	78
Profit on sale of listed equity investments	7	4
	<b>61</b>	<b>84</b>

### 6. Interest payable

	2000	1999
	£m	£m
Bank loans and overdrafts	2	1
Other loans	24	24
	<b>26</b>	<b>25</b>

## notes forming part of the financial statements continued

### 7. Tax on profit on ordinary activities

	2000 £m	1999 £m
The charge for the year is as follows:		
UK – corporation tax at 30.0% (1999 – 30.5%)	80	89
Overseas – income and corporation tax	29	23
– deferred tax	–	2
Joint ventures and associates	2	1
	<b>111</b>	<b>115</b>

### 8. Dividends

	2000 £m	1999 £m
First interim dividend of 4.25p per share (1999 – 4.25p)	34	34
Second interim dividend of 7p per share (1999 – 6.5p)	55	51
	<b>89</b>	<b>85</b>
Special interim dividend of 50p per share	–	448
	<b>89</b>	<b>533</b>

The first interim dividend was paid on 1 September 2000. The second interim dividend will be paid on 19 February 2001.

### 9. Earnings per ordinary share

	2000 £m	1999 £m
Profit for the financial year attributable to shareholders	138	184
Exceptional items	125	84
Amortisation of goodwill	6	5
Profit for the financial year before exceptional items and amortisation of goodwill	<b>269</b>	<b>273</b>
Earnings per ordinary share	<b>17.5p</b>	21.4p
Earnings per ordinary share on exceptional items	<b>15.8p</b>	9.7p
Earnings per ordinary share on amortisation of goodwill	<b>0.8p</b>	0.6p
Earnings per ordinary share before exceptional items and amortisation of goodwill	<b>34.1p</b>	31.7p

The calculation is based on available profit for the financial year of £138 million (1999 – £184 million). 789 million shares (1999 – 860 million) was the weighted average number of ordinary shares in issue during the year. The calculation of the weighted average number of shares excludes the shares held by the Employee Share Option Scheme on which the dividends are being waived.

Earnings per ordinary share before exceptional items and amortisation of goodwill has been provided so that the effects of exceptional items and the amortisation of goodwill on reported earnings can be fully appreciated.

The diluted earnings per share calculation takes into account the effect of dilutive share options. The weighted average diluted number of shares is 789 million (1999 – 860 million).

## 10. Intangible fixed assets – goodwill

	£m
Cost at 18 September 1999	113
Effect of currency changes	16
Goodwill arising on acquisitions	33
<b>Cost at 16 September 2000</b>	<b>162</b>
Amortisation at 18 September 1999	5
Provided during year	6
<b>Amortisation at 16 September 2000</b>	<b>11</b>
<b>Net book value at 16 September 2000</b>	<b>151</b>
Net book value at 18 September 1999	108

## 11. Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Payments on account £m	Total £m
Cost at 18 September 1999	684	1,751	179	88	2,702
Effect of currency changes	8	27	–	2	37
Businesses acquired	10	14	2	–	26
Businesses disposed	(15)	(74)	(1)	–	(90)
Additions	32	145	51	(46)	182
Disposals	(14)	(61)	(11)	–	(86)
<b>Cost at 16 September 2000</b>	<b>705</b>	<b>1,802</b>	<b>220</b>	<b>44</b>	<b>2,771</b>
Depreciation at 18 September 1999	123	944	107	–	1,174
Effect of currency changes	1	9	–	–	10
Provided during year	44	173	21	–	238
Businesses disposed	(3)	(44)	(1)	–	(48)
On disposals	(4)	(47)	(11)	–	(62)
<b>Depreciation at 16 September 2000</b>	<b>161</b>	<b>1,035</b>	<b>116</b>	<b>–</b>	<b>1,312</b>
<b>Net book value at 16 September 2000</b>	<b>544</b>	<b>767</b>	<b>104</b>	<b>44</b>	<b>1,459</b>
Net book value at 18 September 1999	561	807	72	88	1,528

	2000 £m	1999 £m
Analysis of land and buildings at net book value		
Freehold	466	488
Long leasehold	48	47
Short leasehold	30	26
	<b>544</b>	<b>561</b>

The book value of land not amortised in the financial statements was £69 million (1999 – £67 million).

## notes forming part of the financial statements continued

### 12. Capital commitments

There are commitments for capital expenditure by the group of approximately £27 million (1999 – £48 million) for which no provision has been made in these financial statements.

### 13. Fixed asset investments

	Joint ventures £m	Associates £m	Other investments £m	Own shares £m	Total £m
At 18 September 1999	7	8	4	12	31
Effect of currency changes	-	1	-	-	1
Additions	5	-	-	-	5
Share of profit for the year	-	2	-	-	2
Write down of investments	-	-	-	(2)	(2)
At 16 September 2000	<b>12</b>	<b>11</b>	<b>4</b>	<b>10</b>	<b>37</b>

Details of the principal joint ventures and associates are given on page 68. Interests in the net assets of joint ventures include the group's share of their gross assets of £20 million (1999 – £12 million) and the group's share of their gross liabilities of £8 million (1999 – £5 million).

Other investments are stated at cost.

Ordinary shares 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 16 September 2000 the Scheme held 2,765,753 (1999 – 2,905,753) 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 £9 million (1999 – £12 million). The Scheme has waived its right to dividends. At the year end there were options outstanding over 2,820,000 (1999 – 2,940,000) ordinary shares.

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

### 14. Stocks

	2000 £m	1999 £m
Raw materials and consumables	188	192
Finished goods and goods for resale	308	272
	<b>496</b>	<b>464</b>

### 15. Debtors

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Trade debtors	-	-	439	413
Amounts owed by subsidiary undertakings	1,290	967	-	-
Other debtors	2	2	46	46
Prepayments and accrued income	1	1	41	32
Tax recoverable from subsidiary undertakings	17	26	-	-
	<b>1,310</b>	<b>996</b>	<b>526</b>	<b>491</b>

## 16. Current asset investments

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Listed on a recognised stock exchange				
– equity investments	1	1	15	27
– other listed investments	–	–	32	86
Unlisted investments	194	79	1,086	917
	195	80	1,133	1,030

The market value of the group's listed equity investments was £21 million (1999 – £35 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £1 million (1999 – £1 million) quoted on overseas stock exchanges.

## 17. Loans and short term borrowings

	Group	
	2000 £m	1999 £m
<b>Bank loans and overdrafts</b>	17	10
<b>Other loans</b>		
<b>Wholly repayable within five years</b>		
5½% unsecured loan stock 1987/2002	2	2
7½% unsecured loan stock 1987/2002	5	5
Other unsecured loans	4	5
Secured loans	35	34
<b>Wholly or partly repayable after five years</b>		
10½% redeemable debenture stock 2013 (secured)	150	150
Other secured loans	4	4
	217	210
<b>Creditor analysis</b>		
Repayable:		
in one year or less – bank loans and overdrafts	17	10
– other loans	40	43
	57	53
beyond one year – between one and two years	5	3
– between two and five years	1	1
– in more than five years	154	153
	160	157

Bank loans and overdrafts include £1 million (1999 – nil) repayable in one year or less, in respect of the company.

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	
	2000 £m	1999 £m	2000 £m	1999 £m
<b>Amounts falling due within one year</b>				
Trade creditors	–	–	217	234
Taxation on profits	11	12	137	123
Other taxation and social security	–	–	15	15
Accruals and deferred income	2	6	308	257
Dividends	55	51	55	51
Amounts owed to subsidiary undertakings	1,529	1,113	–	–
Amounts owed to joint ventures	3	–	3	–
	<b>1,600</b>	<b>1,182</b>	<b>735</b>	<b>680</b>
<b>Amounts falling due after one year</b>				
Taxation on profits	–	–	11	10

Taxation falling due after one year of £11 million includes £10 million payable on or before 30 September 2001.

## 19. Provisions for liabilities and charges

	Restructuring £m	European Commission	Other £m	Total £m
		fine £m		
At 18 September 1999	4	26	20	50
Profit and loss account – charged	13	–	9	22
Utilised	(3)	–	(6)	(9)
At 16 September 2000	<b>14</b>	<b>26</b>	<b>23</b>	<b>63</b>

The provision in respect of the European Commission ("EC") fine represents the full amount of the fine imposed by the EC on British Sugar plc pursuant to Article 85 of the European Treaty. This was imposed by the EC in respect of matters which occurred between 1986 and 1990, prior to Associated British Foods plc acquiring British Sugar. British Sugar has lodged an appeal against this decision on a number of grounds, including that the fine is out of proportion to the alleged offence, and is awaiting a hearing date.

Restructuring provisions relate to the cash costs, including redundancy, associated with the group's announced reorganisation plans.

Other provisions mainly comprise potential warranty claims arising from the disposal of businesses.

No provision for deferred tax is required (1999 – £nil). The full potential liability in respect of accelerated capital allowances and other timing differences at 16 September 2000 was £86 million (1999 – £96 million).

No deferred tax provision has been made in these financial statements for the additional tax which may be payable on the remittance to this country of the group's share of profits retained by overseas subsidiary undertakings since there is no intention to repatriate these reserves to the UK in the foreseeable future.

## 20. Share capital

	Deferred shares of £1 each '000	Ordinary shares of 5½p each '000	Nominal value £m
<b>Authorised</b>			
At 16 September 2000 and at 18 September 1999	<b>2,000</b>	<b>1,054,950</b>	<b>62</b>
<b>Issued and fully paid</b>			
At 16 September 2000 and at 18 September 1999	<b>2,000</b>	<b>791,674</b>	<b>47</b>

The deferred shares became redeemable on 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 18 September 1999	3	173	2,451	132
Effect of currency changes	–	–	50	–
Tax on effect of currency changes	–	–	(12)	–
Goodwill written back on disposal of businesses	–	–	2	–
Profit for the year	–	–	49	36
At 16 September 2000	<b>3</b>	<b>173</b>	<b>2,540</b>	<b>168</b>

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 earlier financial periods is £532 million (1999 – £534 million).

## 22. Contingent liabilities

Associated British Foods plc and various of its subsidiaries have guaranteed overdrafts and other liabilities of certain subsidiary undertakings, the amount outstanding at 16 September 2000 being £42 million (1999 – £39 million). Litigation and other proceedings against companies in the group are not considered material in the context of these financial statements.

The contingent liabilities of the company at 16 September 2000 were £35 million (1999 – £34 million).

## notes forming part of the financial statements continued

### 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	5	3	11	19
Other	2	7	-	9
<b>At 16 September 2000</b>	<b>7</b>	<b>10</b>	<b>11</b>	<b>28</b>
Land and buildings	4	4	11	19
Other	1	3	-	4
<b>At 18 September 1999</b>	<b>5</b>	<b>7</b>	<b>11</b>	<b>23</b>

### 24. Shares in subsidiary undertakings

	£m
At 18 September 1999	253
Additions	31
<b>At 16 September 2000</b>	<b>284</b>

Investments in subsidiary undertakings are shown at cost less amounts written off. A list of the principal trading subsidiary undertakings is given on page 68. 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 subsidiary undertakings are owned by partly owned intermediate subsidiary undertakings.

### 25. Cash flow from operating activities

	2000 £m	1999 £m
Operating profit	197	233
Amortisation of goodwill	6	5
Impairment of fixed assets	32	84
Depreciation	206	142
(Increase)/decrease in working capital		
– stocks	(28)	(17)
– debtors	(25)	1
– creditors	44	(25)
Provisions	13	(3)
<b>Net cash from operating activities</b>	<b>445</b>	<b>420</b>

The depreciation of £206 million includes £53 million relating to the exceptional charge following the review of the group's manufacturing operations.

## 26. Acquisitions and disposals

	Acquisitions		Disposals	
	2000 £m	1999 £m	2000 £m	1999 £m
<b>Net assets</b>				
Tangible fixed assets	26	50	42	-
Fixed asset investments	-	3	-	-
Stocks	12	14	9	-
Debtors	9	11	5	-
Cash at bank and in hand	3	16	-	-
Creditors	(7)	(19)	(4)	-
Bank overdrafts	-	(37)	-	-
Loans and finance leases	-	(8)	-	-
Minority interests	-	(11)	-	-
Net assets acquired/disposed	43	19	52	-
Goodwill	33	113	2	-
Total consideration	76	132	54	-
<b>Satisfied by</b>				
Cash	76	132	54	-
<b>Net cash</b>				
Cash consideration	76	132	54	-
(Cash) and overdrafts acquired	(3)	21	-	-
	73	153	54	-

There have been no material fair value adjustments on acquisitions.

Costs associated with acquisitions and disposals are included within cash consideration.

## 27. Analysis of changes in financing

	2000 £m	1999 £m
Issue of short term loans	(50)	(46)
Repayment of short term loans	54	46
Issue of loans over one year	(1)	(3)
Repayment of loans over one year	-	2
Increase in bank borrowings	(4)	-
	(1)	(1)

# notes forming part of the financial statements continued

## 28. Net funds

	Investments £m	Cash at bank £m	Short term borrowings £m	Loans over one year £m	Total £m
Decrease in cash before management of liquid funds and financing	-	(562)	-	-	(562)
Financing (note 27)	-	1	-	(1)	-
Management of liquid funds	(541)	541	-	-	-
Purchase of equity investments	1	-	-	-	1
Sale of equity investments	(6)	-	-	-	(6)
Changes in market value	9	-	-	-	9
Arising on acquisition of subsidiary undertakings	-	-	(8)	-	(8)
Effect of currency changes	(3)	1	(1)	1	(2)
Movement in net funds in the year - 1998/99	(540)	(19)	(9)	-	(568)
Net funds at 12 September 1998	1,570	70	(44)	(157)	1,439
Net funds at 18 September 1999	1,030	51	(53)	(157)	871
Increase in cash before management of liquid funds and financing	-	116	-	-	116
Financing (note 27)	-	1	-	(1)	-
Management of liquid funds	104	(104)	-	-	-
Purchase of equity investments	7	-	-	-	7
Sale of equity investments	(9)	-	-	-	(9)
Changes in market value	(2)	-	-	-	(2)
Effect of currency changes	3	1	(4)	(2)	(2)
Movement in net funds in the year - 1999/00	103	14	(4)	(3)	110
Net funds at 18 September 1999	1,030	51	(53)	(157)	871
Net funds at 16 September 2000	<b>1,133</b>	<b>65</b>	<b>(57)</b>	<b>(160)</b>	<b>981</b>

Liquid funds comprise interest bearing instruments and deposits.

## 29. Financial instruments

Disclosures on financial risk management, treasury policies and use of financial instruments are also included in the Finance Director's report. Short term debtors and creditors have been excluded from the following disclosures except for the analysis of net currency exposures.

### Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group was:

	Financial assets on which no interest is received £m	Floating rate financial assets £m	Fixed rate financial assets £m	Total £m	Fixed rate financial assets	
					Weighted average interest rate %	Weighted average period for which rate is fixed Months
<b>Currency</b>						
Sterling	15	929	36	980	6.1	44
Australian dollar	-	42	-	42	-	-
US dollar	3	16	-	19	-	-
Euro	-	129	10	139	5.0	18
Other	1	21	-	22	-	-
At 16 September 2000	<b>19</b>	<b>1,137</b>	<b>46</b>	<b>1,202</b>	<b>5.9</b>	<b>39</b>
<b>Currency</b>						
Sterling	28	805	77	910	5.3	60
Australian dollar	-	35	-	35	-	-
US dollar	2	22	-	24	-	-
Euro	-	82	14	96	4.0	22
Other	1	19	-	20	-	-
At 18 September 1999	<b>31</b>	<b>963</b>	<b>91</b>	<b>1,085</b>	<b>5.0</b>	<b>54</b>

The floating rate financial assets comprise cash, short term deposits and other financial instruments, bearing interest fixed in advance, based on local prevailing rates.

# notes forming part of the financial statements continued

## 29. Financial instruments continued

### Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group was:

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Fixed rate financial liabilities	
				Weighted average interest rate %	Weighted average period for which rate is fixed Months
<b>Currency</b>					
Sterling	14	157	171	10.6	146
Australian dollar	-	-	-	-	-
US dollar	1	4	5	8.2	160
Euro	1	-	1	-	-
Other	34	6	40	6.8	27
<b>At 16 September 2000</b>	<b>50</b>	<b>167</b>	<b>217</b>	<b>10.4</b>	<b>143</b>
<b>Currency</b>					
Sterling	12	157	169	10.6	159
Australian dollar	1	-	1	-	-
US dollar	5	4	9	8.4	179
Euro	1	-	1	-	-
Other	25	5	30	6.8	39
<b>At 18 September 1999</b>	<b>44</b>	<b>166</b>	<b>210</b>	<b>10.4</b>	<b>156</b>

The floating rate financial liabilities comprise short term bank borrowings bearing interest fixed in advance, based on local prevailing rates.

### Currency exposure

The analysis below shows the net monetary assets and liabilities of the group that are not denominated in their functional currency and therefore give rise to exchange gains and losses in the profit and loss account. The amounts shown below take into account the effect of forward currency contracts.

### Net foreign currency monetary assets/(liabilities)

	Functional currency of group operation			
	Sterling £m	Euro £m	Other £m	Total £m
Sterling	-	10	-	10
US dollar	8	1	4	13
Euro	79	-	(2)	77
Other	32	(1)	-	31
<b>At 16 September 2000</b>	<b>119</b>	<b>10</b>	<b>2</b>	<b>131</b>

**Net foreign currency monetary assets/(liabilities)**

	Functional currency of group operation			
	Sterling £m	Euro £m	Other £m	Total £m
Sterling	-	(1)	(3)	(4)
US dollar	3	-	7	10
Euro	52	-	(1)	51
Other	2	-	-	2
At 18 September 1999	57	(1)	3	59

**Borrowing facilities**

The group has various borrowing facilities available to it. The undrawn committed facilities available at 16 September 2000, in respect of which all conditions precedent have been met, were as follows:

	2000 £m	1999 £m
Expiring within one year	19	19
Expiring between one and two years	-	-
Expiring thereafter	-	1
	19	20

**Fair value**

The estimated fair value of the group's financial instruments are summarised below:

	2000		1999	
	Carrying amount £m	Estimated fair value £m	Carrying amount £m	Estimated fair value £m
<b>Primary financial instruments held or issued to finance the group's operations</b>				
Cash	65	65	51	51
Fixed asset investments	4	3	4	4
Current asset investments	1,133	1,149	1,030	1,042
Loans due within one year	(57)	(57)	(53)	(53)
Loans due after one year	(160)	(205)	(157)	(215)
<b>Derivative financial instruments held to manage currency and commodity exposure</b>				
Forward foreign exchange contracts	-	1	-	-
Currency options	-	10	-	1

The value of these contracts is the estimated amount which the group would expect to pay or receive on the termination of these contracts.

## notes forming part of the financial statements continued

### 29. Financial instruments continued

#### Unrecognised gains and losses on hedges

	Gains £m	Losses £m	Net gains/ (losses) £m
At 18 September 1999	2	(1)	1
Arising in previous years and recognised during the year	(2)	1	(1)
Arising before 18 September 1999 and not recognised during the year	-	-	-
Arising in the year and not recognised during the year	11	-	11
At 16 September 2000	11	-	11
Expected to be recognised			
In one year or less	11	-	11
In later years	-	-	-
	11	-	11

#### Unrecognised gains and losses on hedges

	Gains £m	Losses £m	Net gains/ (losses) £m
At 12 September 1998	1	(3)	(2)
Arising in previous years and recognised during the year	(1)	3	2
Arising before 12 September 1998 and not recognised during the year	-	-	-
Arising in the year and not recognised during the year	2	(1)	1
At 18 September 1999	2	(1)	1
Expected to be recognised			
In one year or less	2	(1)	1
In later years	-	-	-
	2	(1)	1

### 30. 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, Crown Way, Cardiff, CF4 3UZ. It is the ultimate holding company and is incorporated in Great Britain and registered in England.

At 16 September 2000 Wittington Investments Limited together with its subsidiary undertaking, Howard Investments Limited, held 431,515,108 ordinary shares (1999 – 416,955,671) representing in aggregate 54.5% (1999 – 52.7%) of the total issued ordinary share capital of Associated British Foods plc.

### 31. Related party transactions

The group's 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	2000 £'000	1999 £'000
Management charge from Wittington Investments Limited, principally in respect of directors and secretarial staff of ABF paid by Wittington	1	450	450
Charges to Wittington Investments Limited in respect of services provided by the company and its subsidiary undertakings	1	(57)	(43)
Dividends paid by the company and received in a beneficial capacity by:			
(i) Trustees of The Garfield Weston Foundation	2	3,118	19,768
(ii) Directors of Wittington Investments Limited who are not Trustees of The Foundation		563	3,568
(iii) Directors of the company who are not Trustees of The Foundation and are not directors of Wittington Investments Limited	3	9	71
(iv) a member of the Weston family employed within the group	4	313	1,985
		£m	£m
Sales to fellow subsidiary undertakings on normal trading terms	5	5	7
Amounts due from fellow subsidiary undertakings	5	–	1
Sales to joint ventures and associates on normal trading terms	6	46	50
Purchases from joint ventures and associates on normal trading terms	6	7	6
Amounts due from joint ventures and associates	6	6	5
Amounts due to joint ventures and associates	6	3	1

#### Sub notes

- At 16 September 2000 Wittington Investments Limited together with its subsidiary undertaking, Howard Investments Limited, held 431,515,108 ordinary shares (1999 – 416,955,671) representing in aggregate 54.5% (1999 – 52.7%) of the total issued ordinary share capital of the company.
- The Garfield Weston Foundation ("The Foundation") is an English charitable trust, established in 1958 by the late W Garfield Weston. The foundation has no direct interest in the company, but as at 16 September 2000 held 683,073 shares in Wittington Investments Limited representing 79.2% of that company's issued share capital and is, therefore, the company's ultimate controlling party. At 16 September 2000, trustees of The Foundation comprised six of the late W Garfield Weston's children, including Garry H Weston, chairman of the board of trustees, and four of Garry H Weston's children.
- Details of the directors are given on page 28. Their beneficial interests, including family interests, in the company and its subsidiary undertakings are given on page 34. Directors' remuneration, including share options, is disclosed on pages 31 to 33.
- A member of the Weston family who is employed by the group and is not a director of the company or Wittington Investments Limited and is not a Trustee of The Foundation.
- The fellow subsidiary undertaking is Fortnum & Mason PLC.
- Details of the group's principal joint ventures and associates are set out on page 68.

## principal subsidiary undertakings

<b>Manufacturing activities</b>	<b>Country of incorporation</b>	<b>Manufacturing activities</b>	<b>Country of incorporation</b>
AB Ingredients Limited (95%)	UK	Liaoning Liaohe Yingpeng Feed Company Limited (55%)	China
Abitec Corporation	US	Nambarrie Tea Company Limited	UK
ABN Limited	UK	Röhm Enzyme GmbH	Germany
AB Technology Limited	UK	Röhm Enzyme OY	Finland
ACH Food Companies, Incorporated	US	R Twining & Company Limited	UK
Allied Bakeries Limited	UK	R Twining & Co. Limited	US
Allied Foods Co Limited (78%)	New Zealand	Seed Systems Incorporated	US
Allied Grain Limited	UK	Shanghai ABN – Huinong Feed Company Limited (60%)	China
Allied Mills Limited	UK	SPCA Barcroft SA	France
Barcroft Company	US	SPI Polyols Incorporated	US
British Sugar plc	UK	Sugarpol (Torun) Sp zoo (72%)	Poland
British Sugar (Overseas) Limited	UK	The Ryvita Company Limited	UK
Burtens Gold Medal Biscuits Limited	UK	Trident Feeds	UK
Carl Lange AS	Denmark	Westmill Foods Limited	UK
Cereal Industries Limited	UK	Weston Research Laboratories Limited	UK
Cukrownia Gliñojeck SA (53%)	Poland		
Erik Haugen AS	Norway	<b>Retailing activities</b>	
Fishers Agricultural Holdings Limited	UK	Primark	Republic of Ireland
Foods International SA	France	Primark Stores Limited	UK
George Weston Foods Limited (78%)	Australia		
Germains (UK) Limited	UK	<b>Investment and other activities</b>	
Germains (Ireland) Limited	Republic of Ireland	Bonuit Investments Limited	Jersey, Channel Islands
Germains Sp zoo (65%)	Poland	Eastbow Securities Limited	UK
Gregg & Company (Knottingley) Limited	UK	Portelet Investments Limited	Jersey, Channel Islands
Grosvenor Marketing Limited	US	Serpentine Securities Limited	UK
Guangxi Bo Hua Food Company (71%)	China	Talisman (Guernsey) Limited	Guernsey, Channel Islands
Guangxi Boqing Food Co. Limited (60%)	China		
Henan Lianhua – BSO Pharmaceutical Co. Limited (57%)	China	Group interest is 100% except where indicated.	
Jacksons of Piccadilly Limited	UK		
Jordan's (NI) Limited	UK	British Sugar (Overseas) Limited operates subsidiary undertakings	
Lax & Shaw Limited	UK	and joint ventures in Europe and Asia. Other than this company, each	
Liaoning Liaohe Ai Min Feed Company Limited (55%)	China	subsidiary undertaking operates mainly in its country of incorporation.	

## investments

	Country of incorporation	Issued ordinary share capital	
		Total	Group %
<b>Principal joint ventures and associates</b>			
C Czarnikow Sugar Limited	UK	£1,000,000	42
Getec Guanabara Quimica Industrial SA	Brazil	BRR 14,254,370	25
Harper-Love Adhesives Corporation	US	US\$12,200	50
Incon Technologies Incorporated	US	US\$6,400,000	50
Mauri Products Limited	UK	£1,375,001	50
New Food Coatings Pty Limited	Australia	A\$150,000	50
Roal Oy	Finland	€3,195,572	50
WA Country Bakers Pty Limited	Australia	A\$1,000,000	50
Yeast Products Company Limited	Republic of Ireland	IEP800,000	30

There is no significant loan capital in any of the joint ventures or associates. Each joint venture and associate carries out manufacturing and food processing activities and operates mainly in its country of incorporation.

# progress report

Saturday nearest to 15 September	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m
<b>Turnover</b>					
Continuing operations	4,443	4,437	4,195	4,299	<b>4,406</b>
Discontinued operations	1,264	766	-	-	-
	<b>5,707</b>	<b>5,203</b>	<b>4,195</b>	<b>4,299</b>	<b>4,406</b>
<b>Operating profit before exceptional items and amortisation of goodwill</b>					
Continuing operations	339	342	316	326	<b>340</b>
Discontinued operations	56	28	-	-	-
	<b>395</b>	<b>370</b>	<b>316</b>	<b>326</b>	<b>340</b>
Exceptional items	-	-	(19)	(84)	<b>(130)</b>
Amortisation of goodwill	-	-	-	(5)	<b>(6)</b>
Profit less losses on sale of properties	6	6	(3)	4	<b>8</b>
Profit less losses on sale or termination of businesses	-	424	-	-	-
Investment income	54	72	119	84	<b>61</b>
Profit on ordinary activities before interest	455	872	413	325	<b>273</b>
Interest payable	(25)	(22)	(22)	(25)	<b>(26)</b>
Profit on ordinary activities before taxation	430	850	391	300	<b>247</b>
Tax on profit on ordinary activities	(144)	(161)	(124)	(115)	<b>(111)</b>
Profit on ordinary activities after taxation	286	689	267	185	<b>136</b>
Minority interests	(8)	(8)	(2)	(1)	<b>2</b>
Profit for the financial year	278	681	265	184	<b>138</b>
Earnings per share	31.0p	75.6p	29.6p	21.4p	<b>17.5p</b>
Earnings per share before exceptional items and amortisation of goodwill	31.0p	32.4p	31.7p	31.7p	<b>34.1p</b>

# notice of meeting

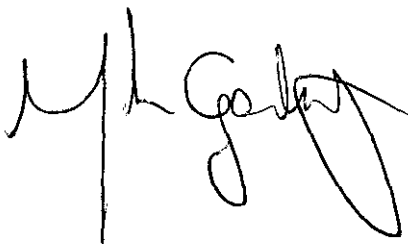
Notice is hereby given that the sixty-fifth annual general meeting of the company will be held at The Park Lane Hotel, Piccadilly, London W1 at 11.00 am on Friday 15 December 2000.

1. To receive and consider the financial statements for the period ended 16 September 2000 and the reports of the directors and auditors thereon.
2. To re-elect Mr PJ Jackson as a director.
3. To re-elect Rt. Hon. JRR MacGregor 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 number 7 will be proposed as a special resolution and resolutions number 5 and 6 will be proposed as ordinary resolutions.

5. That the Associated British Foods Executive Share Option Scheme (the "Option Scheme") comprising Part A (an approved part which is to receive approval by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988) and Part B (an unapproved part) and any trust arrangements to be used in connection with the Option Scheme, the principal terms of which are summarised in the circular which accompanies this notice which have been produced to the meeting at which this resolution is proposed and for the purposes of identification have been signed by the Chairman hereof, be hereby approved; and the directors be hereby authorised to make such minor modifications or amendments to the rules of the Option Scheme as they may consider necessary or desirable to obtain approval of Part A by the Inland Revenue.
6. 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 263 million ordinary shares of 5½p each during the period from the date of the passing of this resolution up to and including 14 December 2005 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.
7. That, subject to the passing of the preceding resolution number 6, 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 6 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, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine 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 on any such record date(s), 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;
  - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate of 39 million ordinary shares of 5½p 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 2001, 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  
**Mark Geday** Secretary  
Weston Centre, Bowater House,  
68 Knightsbridge, London SW1X 7LQ



14 November 2000

## notes

1. Resolution number 5

Explanatory notes, together with a letter from the Chairman, have been circulated to shareholders with the Notice of Meeting.

2. Resolutions number 6 and 7

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 1999 shareholders gave the directors a general authority to allot shares up to a limit approximately equivalent to 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 2004. 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 6 will authorise the directors to allot substantially all of the present unissued ordinary share capital, which represents approximately 25% of the company's authorised capital (and is again therefore equivalent to approximately one third of the number of shares in issue), 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 6 and they are to be subscribed 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 to existing shareholders strictly pro rata to their holdings and this cannot be done unless shareholders have first waived their pre-emption rights. Resolution number 7 asks shareholders to do this by allowing the directors to allot for cash (a) by way of a rights issue, open offer or similar issue (subject to certain exclusions) and (b) a number of shares equivalent to approximately 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 holdings cannot, without their agreement, be diluted by more than 5% by the issue of new shares to new shareholders.

3. The company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company at 6 pm on Wednesday 13 December 2000 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 13 December 2000 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 am on Wednesday 13 December 2000.
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 Park Lane Hotel 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.

# company directory

## Associated British Foods plc

Registered office	Weston Centre Bowater House 68 Knightsbridge London SW1X 7LQ	
	Company registered in England, number 293262	
Secretary	Mark Geday	
Registrars and transfer office	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA	
Auditors	KPMG Audit Plc Chartered Accountants	
Bankers	Bank of Scotland Barclays Bank plc Lloyds TSB plc The Royal Bank of Scotland plc	
Timetable	First interim dividend	paid 1 September 2000
	Second interim dividend	to be paid 19 February 2001
	Annual general meeting	15 December 2000
	Interim results to be announced	April 2001
Internet site	<a href="http://www.ABF.co.uk">http://www.ABF.co.uk</a>	

