

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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Worldwide sales ahead at £4,434 million

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Operating profit up 3% to £351 million\*

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Investment income up 8% to £66 million

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Profit before tax up 5% to £393 million\*\*

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Adjusted earnings per share up 7% to 35.4p\*\*

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Dividends per share up 5% to 11.8p

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Net cash funds up £70 million to £1,051 million

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\* before exceptional items and amortisation of goodwill

\*\* before exceptional items, property profits and amortisation of goodwill



## group at a glance

Associated British Foods can be categorised into five segments. These are primary food and agriculture, ingredients and oils, grocery, retail and packaging, and the Australian and New Zealand operations, George Weston Foods.

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

## primary food and agriculture

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.

## ingredients and oils

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

## grocery

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

## retail and packaging

Primark's formula of providing quality merchandise at affordable prices has provided a retail success story for Associated British Foods. Allied Glass Containers is one of Europe's leading producers of premium glass packaging.

## australia and new zealand

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

The operating profit opposite and in the Chief Executive's review is adjusted to exclude exceptional items and amortisation of goodwill.

|  |                         |    |
|--|-------------------------|----|
| <b>Sugar</b> British Sugar, China, Poland  | <b>sales</b>            |    |
| <b>Flour milling</b> Allied Mills  | <b>£1,867m</b>          |    |
| <b>Animal feeds &amp; livestock marketing</b> ABNA, ABN Overseas, ALM, LKL Services, SugaRich, Sullivans, Trident  | <b>operating profit</b> |    |
|  | <b>£172m</b>            |    |
| <b>Seed processing &amp; merchandising</b> Allied Grain, Germains Technology Group, John K King  |                         |    |
|  | page                    | 10 |
| <b>Baking, confectionery ingredients, enzymes &amp; yeasts</b>   | <b>sales</b>            |    |
| AB Enzymes, AB Enzymes Finland, AB Ingredients, Mauri Products   | <b>£711m</b>            |    |
| <b>Oils, emulsifiers, fractionated fats, analogue cheeses, sterols, esters &amp; antacid ingredients</b> AB Technology, Abitec (US), ACH Food Companies (US), Barcroft (US and France) | <b>operating profit</b> |    |
|  | <b>£42m</b>             |    |
| <b>Starch &amp; polyols</b> Getec (Brazil), Lianhua (China), SPI Polyols (US)  |                         |    |
| <b>Vegetable oil</b> ACH Food Companies (US)   | page                    | 14 |
| <b>Sugar &amp; sweeteners</b> Silver Spoon   | <b>sales</b>            |    |
| <b>Bread &amp; crispbreads</b> Allinsons, Kingsmill, Ryvita, Speedibake  | <b>£858m</b>            |    |
| <b>Teas</b> Jacksons of Piccadilly, Nambarrie, Twinings  | <b>operating profit</b> |    |
| <b>Packaged groceries</b> Westmill Foods   | <b>£37m</b>             |    |
|  | page                    | 18 |
| <b>Retail</b> Penneys (Ireland), Primark   | <b>sales</b>            |    |
| <b>Glass packaging</b> Allied Glass Containers   | <b>£574m</b>            |    |
|  | <b>operating profit</b> |    |
|  | <b>£63m</b>             |    |
|  | page                    | 22 |
| <b>Flour milling, bread, biscuits &amp; baking products</b> Burgen, Cereform, Speedibake, Tip Top, Weston Milling, Weston's Biscuits   | <b>sales</b>            |    |
|  | <b>£583m</b>            |    |
| <b>Meat &amp; dairy</b> Chapman's, Don's, Melosi, Watsonia   | <b>operating profit</b> |    |
|  | <b>£19m</b>             |    |
| <b>Starch &amp; cleaning materials</b> Harper-Love, Jasol, Weston Bioproducts  |                         |    |
|  | page                    | 26 |

# chairman's statement

Against a background of growing political and economic turbulence and weakening consumer confidence, I am pleased to report that the group operating profit, before amortisation of goodwill and exceptional charges, increased by 3% to £351 million in the year ended 15 September 2001.

At the time of the interim announcement in April I stated that a further significant decline in the general economic climate would almost certainly impact on our full year results. Although our companies experienced increasingly difficult conditions, the focus on improving operational profitability and efficiencies enabled the group to overcome adverse changes and events in many of its markets and to achieve growth in operating profit in the second half of the year.

Adjusting for the impact of disposals, operating profit increased by £25 million or 8% over last year against a background of significant improvement in the level of performance of most companies in the group.

Primary food and agriculture increased operating profit despite unprecedented adverse weather conditions and the continuing impact of foot and mouth disease and swine fever in the UK. British Sugar, although subject to a quota cut and the abolition of its storage rebate, achieved virtually maintained profits in the UK as a result of operational efficiencies arising from further factory rationalisation. The outstanding results in this sector were delivered by our overseas sugar operations in China and Poland, justifying the policy of patiently developing our investments in these countries.

'The process of concentrating our activities and investment into more focused areas has generated additional profit and cash.'

Ingredients and oils demonstrated strong growth. ACH in the US not only achieved a satisfactory resolution of the operational problems experienced in the prior year, but successfully integrated the acquisition of the Procter & Gamble branded foodservice oils business into its restructured operations. The food business of SPI Polyols had an unsatisfactory year suffering from severe market competition, increased input costs and problems within operational management. As with ACH last year, these problems are being addressed by a programme of cost reduction, management restructuring and strategic reappraisal. Abitec produced an outstanding performance in all areas of its business. Of particular note has been the continuing growth in sales and profit at Röhm Enzyme since its acquisition some two years ago. Towards the end of the financial year, we agreed to acquire from Kerry Foods their UK bakery ingredient activities which, combined with our existing business, will give us market leadership in UK bakery ingredients.

Our grocery companies also achieved a strong increase in their profit contribution. After a prolonged period of retrenchment in a declining market for crispbread, Ryvita produced excellent results based on a broader product range and sharply improved operational efficiency. Twinings continued to grow share both in its home and overseas markets and a particularly pleasing feature of this success has been the growth in its share of the green tea and the herbal and fruit tea infusion markets.

Primark maintained its strong growth in sales and profit. We continue to invest heavily in new stores and the associated pre-opening costs have been charged in these results. By the end of the calendar year 2001 we expect to be trading from 114 stores with a sales area of almost 2 million square feet. Primark has now achieved national recognition as one of the leading chains in UK and Irish textile retailing.

Against this background of improvement in nearly every area of our business, it is disappointing to have to record a significant fall in the contribution from our Australian subsidiary, George Weston Foods. Despite a strong performance by milling and baking in Australia, other divisions of this group recorded sharply lower profits. This result, following the unsatisfactory performance of the last few years, is unacceptable. Major changes have already taken place at the senior management level which, combined with a closely monitored cost reduction programme, lead us to expect an improved profit performance as the current year progresses.

The process of concentrating our activities and investment into more focused areas has generated additional profit and cash. The sale of surplus properties generated a profit of £20 million and the disposal of Burton's and a number of smaller businesses resulted in a net exceptional profit of £17 million. At the same time we have reviewed the carrying value of the intangible assets in SPI and have written down the goodwill arising on this investment by an additional £62 million in the accounts.

## chairman's statement continued

Despite a difficult investment climate and declining interest rates, investment income at £66 million was up 8%, whilst interest payable declined by £2 million to £24 million. Group profit before tax, adjusted to exclude exceptional items, property profits and amortisation of goodwill increased 5% to £393 million from £375 million. Adjusted earnings per share were ahead by 7% to 35.4p.

The solid performance of your company against such an adverse background is gratifying. In last year's Chairman's statement I reported that we were taking major steps to improve the focus of our traditional businesses. I believe that this year's results indicate that we have taken significant strides towards achieving that objective. But this is a programme which must continue if the company is to compete and thrive in the very challenging environments in which it operates.

The year ahead poses fresh challenges. In the primary food and agriculture sector, current UK crop forecasts are for significantly lower harvests of sugar beet and other arable crops. Efforts to eliminate foot and mouth disease are only now proving to be fully effective.

The last week of our financial year witnessed the devastation in the US brought about by the terrorist hijacking of four commercial air flights. The impact of those terrible acts on an already fragile world economy has led to escalating uncertainty and a reduction in consumer confidence. The effects of these events have been widespread throughout much of the global economy. The contraction in demand which is now being experienced has resulted

in a significant number of corporate retrenchments. It is likely that, as companies cut back on new investment and reduce workforces, consumer confidence will be further dented.

Spending on new acquisitions in the past year at £121 million has been limited to the purchase of businesses which fit with our existing core activities. They offer superior long-term returns and enhance our existing operations.

However, the will to invest in larger strategic acquisitions in areas where we wish to grow is not lacking. In the past year we have reviewed potential targets and engaged in discussion with vendors and intermediaries on a number of occasions. Our investment criteria and rigorous due diligence have resulted in our not pursuing these targets. Even where an acquisition affords strategic advantages, it must still offer the prospect of adding economic value for our shareholders in the foreseeable future and over the long-term.

Our company is well placed to meet the challenges which lie ahead. We have leading market positions in staple industries and generate a strong and positive cash flow backed by deep financial resources.

We intend to maintain our commitment to improved profit and management performance. Our budgets for the coming year call for further growth in sales and profit. Our confidence in achieving our targets is only qualified by the potential for external events to impact on our operations.

#### Dividends

The directors have declared a second interim dividend of 7.55p (2000 – 7.0p) which will be paid on 18 February 2002 to shareholders registered at the close of business on 18 January 2002. This makes a total dividend for the year of 11.8p, an increase of 5% on the previous year.

#### Employees

We are operating in a very challenging environment where the need for change is constant and a flexible approach to capitalise on the opportunities presented is essential. My thanks go to all our employees around the world for rising to these challenges and for their valuable contribution to our success.

**Harry Bailey**  
Chairman

# chief executive's review

'Four out of five of our business categories have delivered operating profit increases of 10% and more. This reflects the strength and depth of our business as well as the benefits of market and geographic diversification.'

During the year businesses across the group delivered excellent results as we implemented strategies we had committed to 12 months ago. Sales for the group increased to £4,434 million and operating profit, before exceptional items and amortisation of goodwill, increased 3% to £351 million. If the results of businesses disposed of during the year are excluded, sales actually increased by 6% to £4,338 million and adjusted operating profit increased 8% to £350 million.

A measure of this improvement is illustrated in the new segmental analysis included in this report which shows that four out of five of our business categories have delivered operating profit increases of 10% and more. This reflects the strength and depth of our business as well as the benefits of market and geographic diversification.

There are still issues to be worked on. We must continue to build on our management strengths. We must continue the development and, where necessary, the streamlining of our portfolio of businesses and continue to tackle those issues that will crop up to challenge us in any one year. This year, these have ranged from steep increases in energy prices in the US through to major livestock diseases affecting our UK agricultural businesses and they are covered in more detail later in this report. Whenever challenges arise they will be assessed, tackled and the business moved forward.

As we stated last year, our twin goals for the future are strong cash flow and sustainable growth. The cash flow qualities of your business are well established. They have been demonstrated again this year and are expected to continue in years to come.

To achieve our growth requirements we needed to restructure our management team, dispose of businesses where appropriate, invest and restructure our retained businesses where necessary and acquire new businesses to enhance future earnings where possible.

The management restructuring that we announced at the beginning of the year has worked well, bringing improved

focus, a better application of expertise and, in a number of instances, new management teams with a better blend of internally developed and externally recruited people.

Six businesses were sold during the year, for a total consideration of £170 million of which £142 million was received during the year. These businesses were sold because we did not believe they could contribute to the achievement of our goals. Whilst we will continue to assess our portfolio, those companies that remain in our group are capable of delivering results that fully support our future direction.

A number of these companies however required restructuring and investment. Last year we announced our intention to restructure Allied Bakeries, Allied Mills and ACH. These major projects have been implemented on time and in line with budget. At the same time, British Sugar announced a major appraisal of its manufacturing assets which has resulted in the closure of two factories during the past year and the announcement of a further closure at Kidderminster during the coming year.

A major benefit of the strong cash flow characteristics of our group is that we can invest heavily behind good, business-enhancing proposals. This year has seen us invest £212 million in capital projects including a major technological advance at British Sugar and further store openings for Primark, our excellent clothes retailing operation.

Primark's success has been a key contributor to the strong 6% increase in the sales of our continuing companies. Major steps forward in product innovation and marketing across a wide range of our businesses are showing results. Action is being taken to further reinforce this work.

We have referred on occasion to our desire to make acquisitions that will enhance the medium to long-term returns to shareholders. Our commitment to search out the right acquisitions is high and the resources dedicated to the search for and review of such opportunities have been increased. Nevertheless we have refused to complete transactions where the price has been such that our investment criteria cannot be met in appropriate timescales. We will continue to search and believe that in time our searches will be successful. Our reviews will however continue to be thorough and measured.

The following pages review our businesses in more detail. Much has been achieved in the last year and, despite the economic uncertainties, a firm foundation is in place for further significant improvement over the coming years.

energy for life

## primary food and agriculture

|                            | 2001         | 2000  |
|----------------------------|--------------|-------|
| <b>sales £m</b>            | <b>1,867</b> | 1,802 |
| <b>operating profit £m</b> | <b>172</b>   | 157   |

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.

Our primary food group, which includes the UK flour mills and our worldwide sugar and seed enhancement businesses has had a year of successful restructuring with profits boosted by significant growth in our Polish and Chinese sugar operations.

In the UK the profit at British Sugar was affected by the £10 million rationalisation cost taken for the closure of three factories. A lower sugar crop, higher energy costs and a one-time levy payment on quota stocks held at 30 June also impacted profitability. 1.325 million tonnes of sugar was processed which, although comfortably in excess of quota, was down on last year. However, the high quality of the crop, the skill of the growers in harvesting in extremely wet conditions and excellent factory performances mostly offset the effect of higher costs. The effect of the exchange rate of the euro to sterling on the institutional sugar price was minimal year on year. The factories at Ipswich and Bardney were closed and work has proceeded with the expansion of the Allscott factory in the West Midlands in preparation for the closure of Kidderminster after the campaign next year. The £25 million investment in resin separation process technology at our Wisington factory is well advanced and due for commissioning next spring.

Carbohydrate is the body's preferred energy source. ABF is an essential supplier to the food industry of the basic ingredients, flour and sugar, that meet this need. It purchases over 20% of the UK's arable production.

High gas prices and low electricity selling prices, coupled with unfavourable conditions brought about by the introduction of new electricity trading arrangements, have reduced the profitability of our combined heat and power plants and there are currently no plans for further developments in this area. We believe we can make a significant contribution to the UK government's aspirations for green energy production and we continue to discuss with them ways in which barriers to our further investment can be removed.

## primary food and agriculture continued

Changes to the European sugar regime announced by the Commission saw the end of the rebate scheme which contributed towards the financing of quota sugar stocks. This resulted in a one-time cost in respect of quota sugar stocks held at 30 June and in future the full financing of stocks will become the responsibility of the market. The Commission also confirmed that the fundamental arrangements governing the sugar regime would stay in place until 2006 with a review scheduled for 2003 in preparation for any reforms which would start to take effect from 2006.

Strong growth was achieved in our Polish and Chinese sugar operations. In Poland we benefited from stable pricing, a good crop and excellent performance from our factories. The acquisition of four further factories, making the total ten, saw our total production rise to 11% of the domestic market. In China we benefited from stronger sugar prices. The Huaiyuan factory was acquired in September last year and since the year end we acquired Wuxuan, our fourth factory in Guangxi Province, taking our total Chinese cane sugar production to over 300,000 tonnes.

The Germain's Technology Group retains a leading market position in the seed treatment and coating sector. Its technology in seed pelleting provides optimum germination from each individual seed and reduces the need for externally applied fertilisers and sprays. There has been pressure on volumes and margins over the years in its traditional sugar beet sector and it has successfully diversified both geographically and its product sectors.

Allied Mills continued to operate in a highly competitive flour milling market. This year administration has been centralised to improve service levels and reduce costs and the Uxbridge mill has been closed. Further investment was made in our semolina milling operations in Tilbury with the addition of a packing plant and warehouse which will be operational in March next year. The likelihood of a poor wheat harvest following adverse weather conditions last spring has resulted in increased wheat prices and, in September, led to the announcement of the first increase in flour prices in five years.

Our agriculture group, ABNA, includes animal feeds, grain trading and speciality crop production. The UK animal feeds business increased profit and its share of the poultry and pig markets. The business benefited from the integration of Fishers and ABN which resulted in the closure of the Cranswick mill, the centralisation of raw material buying, laboratory services, quality control, finance and administration. The business has proved resilient and resourceful despite the wettest autumn for over 100 years, animal diseases affecting its pig, sheep, cattle and dairy sector customers and the requirement to comply with new legislation and assurance schemes. New products continue to present opportunities including a major contract in the ruminant

**John K King** ABF has responded to the consumer demand for natural nutritional supplements. These high added value products from agriculture, such as Evening Primrose Oil, are contract grown and extracted by the John K King subsidiary.

**Allied Mills**

To meet the demands created by the growth in Britain's appetite for continental foods, ABF supplies over a third of the UK's semolina flour used in pasta.

**British Sugar** With the purchase of its fourth sugar factory in China, British Sugar is well placed to satisfy the demand from the growing Chinese food industry for high quality ingredients.

sector for certified non-GM product and new offerings from Trident. Such initiatives have been supported since this summer by Clickagri.com, an internet portal dedicated to the agricultural industry. It serves as a business-to-business hub for the group's merchant and farmer customers and has streamlined the sales order and administration process.

Despite a reduction in the seed and fertiliser markets as a result of the poor weather early in the year, Allied Grain maintained volume and significantly increased its market share. John K King's expertise in contract growing of high value speciality crops yielded strong profit growth. The performance of the Lincoln oil extraction plant has exceeded expectations and led to an expansion of capacity this year. Progress has been made in developing sales in the US market and a joint venture with ACH will help in the development of speciality oil sales in that market.

## ingredients and oils

|                            | 2001       | 2000 |
|----------------------------|------------|------|
| <b>sales £m</b>            | <b>711</b> | 640  |
| <b>operating profit £m</b> | <b>42</b>  | 32   |

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

Strong growth during the year in ingredients and oils was demonstrated by sales up 11% to £711 million and profit up 31% to £42 million.

The rationalisation announced last year by ACH Food Companies, our US oils business, was successfully accomplished during the year. The closure of Columbus, Ohio was completed and production was transferred to Jacksonville and Champaign, Illinois. The Champaign factory has been extensively re-configured following the withdrawal from refining and bleaching and its outsourcing to Archer Daniels Midland. In January we announced that white rice production would cease at the Greenville, Mississippi rice mill and at the year end the mill was sold. The branded foodservice shortenings and oils business acquired from Procter & Gamble in January has been fully integrated and foodservice is now the largest profit contributor to the business. ACH is now the clear market leader in premium branded oils to the foodservice sector and the increased breadth of distribution gained through this acquisition presents exciting opportunities for other ACH product lines.

Abitec, a major part of our international speciality ingredients business, experienced strong profit growth driven by sales and margin improvements. In the UK all the bakery ingredients interests have been brought together to create a focused group capable of supplying a full range of products to all sectors of the trade and positions Abitec as the commercial and technical leader in this sector. A similar rationalisation of our bakery ingredient interests is planned for the US where a demand for national suppliers with a full range of products is being driven by consolidation among the country's leading bakery groups.

Abitec's lipid technology business achieved a solid performance as a result of an improvement in product mix. In Europe we continue to benefit from the introduction of more profitable lines developed by us in the US.

**ACH Food Companies** took a major step forward with the acquisition of the former Procter & Gamble branded foodservice oil and shortenings business. Restaurants all over the US, Mexico, Canada and the Caribbean are supplied with ACH products.

the natural way

Detailed attention to margins in a tight market, alongside recent investment, has increased profitability in our UK food emulsifier business.

Our enzymes business continues to perform strongly. It is driving its sales and profit growth with a vigorous research and development programme and is introducing products in sectors outside its traditional bakery markets, such as animal feed and textiles. Supported by patent protection these new products will secure profits growth in the years to come. A new headquarters and development centre in Germany will be opened this autumn.

We sold AB Coatings, our fledgling food coatings business, and Nelsons, our jam and preserves business, because we believed that they could not contribute to our long-term goals.

SPI, our US based polyols operation, has faced challenges arising from oversupply in the sorbitol market and increased costs of operation arising from higher energy prices and maintenance costs. Despite higher volumes, profits in the food business were well down on last year as a result. The senior management team has now been restructured, a cost reduction programme is well underway and business building opportunities are being pursued.

SPI Pharma saw an increase in its share of the antacid market this year and continues to develop its capabilities in the supply of highly engineered ingredients to the pharmaceutical industry. The launch of Pharmagum™ is promising. This provides a chewable delivery system for pharmaceutical and nutraceutical products and since it can be directly compressed into tablets it offers production cost advantages over traditional competitive products.

**SPI's** Innova joint venture is stimulating some interesting new products and applications. One non-food product is a de-icing compound for roads and bridges which is so environmentally benign it can even be used on plants and vegetation.

## ingredients and oils continued

**AB Enzymes** is a world leader in providing natural biological solutions to chemical problems. Its products are widely used in a diverse range of applications from textiles to foodstuffs.

**Abitec** has pioneered the development and commercialisation of medium chain triglycerides (MCTs) which assist the body in the absorption of nutrients or complex pharmaceutical compounds. Its CAPTEX™ range is widely used in clinical nutrition and as a bio-availability enhancer for complex drugs such as those used in the treatment of AIDS and cancer.

everyone's favourite brands

## grocery

|                            | 2001       | 2000 |
|----------------------------|------------|------|
| <b>sales £m</b>            | <b>858</b> | 847  |
| <b>operating profit £m</b> | <b>37</b>  | 29   |

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

The profitability of our grocery businesses improved sharply this year with profit up 28% to £37 million and sales up 1% to £858 million. Good performances from Allied Bakeries, Ryvita, Silver Spoon and Twinings more than offset lower profit at Speedibake and Westmill.

Prices remained under pressure for Allied Bakeries but the lower gross margins were offset by cost reduction and efficiency improvements. The bakery closure programme announced last year has been completed and the subsequent review of distribution operations resulted in the closure of five depots during the year. Strong brand and product development continued and Kingsmill now features strongly in the top ten of UK food grocery brands. The latest range extension, 'Whole White', which was launched in July, is proving successful. We continue to build relationships with the major retailers with a focus on service and this was recognised in the award for best bakery own label supplier by the Grocer magazine. The opening of our Innovation Centre, as the centre of excellence in product and commercial development, will stimulate creativity and maintain our reputation for market leading initiatives.

Speedibake has grown sales volumes in an increasingly competitive market. Costs and efficiency will be improved by the closure of Northampton and increased investment in new and improved facilities at its two sites in Yorkshire. Investment in new state-of-the-art production facilities for speciality continental breads will allow the cutting, shaping and dressing of the dough to virtually any shape, size or specification, and the delivery of an authentic taste and texture from a real stone oven.

As well as featuring strongly on the British breakfast table, many of ABF's grocery brands are well recognised internationally.

Strong profit growth was enjoyed at Ryvita with sales growth at home and overseas together with reduced costs. The seeded and sweet varieties of crispbread increased share of the home market. The growth in export sales was led by Germany, Austria and the US where we captured the market leading position for crispbread in the health sector. Waste management teams in the

## grocery continued

factories have achieved a reduction in ingredient use and better product quality. The maize mill achieved organic accreditation this year and we now sell organic flour and grains.

Silver Spoon continued to demonstrate its market leadership and innovation in the retail sugar and sweeteners market. Volumes were maintained and our share in the multiple grocers market grew again, supported by the interest in the sector generated by some exciting range extensions and market support activity. Treat, our ice cream toppings range, added 'Monster Crackin' which is a chocolate topping that sets hard on ice cream. The whole range was refreshed with new packaging and point of sale material. Our new artificial sweetener, 'Nothing Comes Closer to Sugar' was advertised on television from January this year and has now exceeded the market share target set at launch, attaining number two spot in the new generation sweeteners sector. In foodservice, stock syrup was successfully launched and offers chefs quality product, consistency and saves them time.

Twinings, one of the oldest and most internationally recognised brands in the world, achieved strong sales and profits increased over last year. We continued to dominate the UK market for speciality and herbal teas. Export sales were strong to most markets and the US made good progress with the relaunch of green teas and a redesign of the classic black tea varieties.

**Twinings'** teas are sold in around 100 countries and are sourced from all the important tea growing areas of the world. As a founding member of the tea sourcing partnership, the company ensures that the highest ethical standards are maintained throughout its supply chain.

### **Ryvita**

In producing the UK's favourite crispbread, Ryvita purchases 70% of the UK rye crop. A year's production laid end to end would stretch 150,000 kilometres, more than three times around the earth.

Consumption of green teas continues to grow in health conscious markets and Twinings leads this sector in a number of major areas. The new ready-to-drink chilled teas are growing strongly and will develop into new markets and flavours with promotional support in the coming year. The UK packaging will be relaunched this autumn with a design which combines the traditional, much loved, Twinings brand values with a more modern image.

**Silver Spoon** continues to add fun flavours to its ice cream toppings range. 'Monster Crackin' is a big hit with kids!

## retail and packaging

|                     | 2001 | 2000 |
|---------------------|------|------|
| sales £m            | 574  | 484  |
| operating profit £m | 63   | 53   |

Primark's formula of providing quality merchandise at affordable prices has provided a retail success story for Associated British Foods. Allied Glass Containers is one of Europe's leading producers of premium glass packaging.

### Primark

Progress at Primark, our textile retailing chain, has again been very encouraging and we continue to back the success of its retail formula with investment in a vigorous new store opening programme. Sales increased 20% to £515 million and profit increased 18% to £60 million. On a like-for-like basis sales increased 6% over last year.

Fifteen new stores were opened during the year taking the total number of stores from 93 at the start of the year to 108 at the year end. The retail selling space was increased from 1.4 million square feet to 1.75 million square feet. In addition six stores had been acquired and are scheduled to be opened before the end of this calendar year and will increase the selling space to 2 million square feet.

The complete withdrawal of C&A from the UK high street provided an excellent opportunity for Primark to acquire prime sites in city centres not previously served. Twelve stores were finally acquired and 11 of these were refitted and opened during the year. Two further stores were opened in England, in Barnsley with 24,000 square feet of selling space at the beginning of the year and in Norwich city centre with 30,000 square feet at the year end.

The successful opening in November 2000 of the Newcastle store was a landmark in our progress with over 40,000 square feet in a city centre location. However, the Manchester store was opened in October this year and has become the flagship. This store is in a prime location, covers 70,000 square feet, and becomes easily our largest site. The Manchester store also launches Primark's new store format which will be progressively rolled out across new and refurbished stores. The new format has been developed following extensive research and a successful trial of elements in the new Norwich store.

**Primark's** new Manchester branch, the biggest in the group, covers 70,000 square feet of selling space and is the flagship for the company's new store format.

making fashion affordable

We opened new stores in Newtownabbey and Newry in Northern Ireland and, after the year end, Blanchardstown, west of Dublin, was opened in October. Other stores due to open shortly are in Lewisham, Glasgow, Torquay and another location in Wandsworth.

With many major towns and cities in the UK still unserved, Primark's expansion will continue, limited only by the availability of sites suitable for our successful formula.

This rapid growth has required a strategic review of our distribution arrangements to ensure costs are minimised and service levels optimised. As a result a 400,000 square feet distribution centre has been constructed at Magna Park which is strategically located in Lutterworth, Leicestershire. The new centre has taken over logistics for the UK from the former, and much smaller, Coventry site and has the capacity to support Primark's rapidly expanding network. In Ireland the opportunity has been taken to consolidate distribution into one centre.

**Primark's** national distribution centre at Magna Park was constructed in record time and has the capacity to serve the company's rapidly growing number of retail outlets.

## retail and packaging continued

**Primark**  
buys its  
garments direct  
from suppliers to its  
own designs and  
can therefore  
respond  
rapidly to the  
fluctuating  
trends of  
fashion.

**Primark's** 'Secret Possessions'  
lingerie range represents  
an important growing sector  
of its sales.

**Allied Glass** has a policy  
of continuous improvement  
in its environmental  
performance.

### **Allied Glass Containers**

Sales increased 7% to £59 million and profits were ahead at Allied Glass Containers despite a highly competitive market. Higher raw material and energy costs and lower prices were more than offset by higher volume, an improved product mix and higher operating efficiency in the factories.

Capital expenditure has been targeted at productivity and quality improvements, including the commissioning of leading edge automated vision inspection equipment at the Leeds factory. This removes the need for manual inspection of products on all lines.

This business coordinates the group's compliance with European Packaging Waste regulations. It recycles 40,000 tonnes of glass from bottle banks and both factories received accreditation to the ISO 14001 environmental standard this year. They are already registered to the ISO 9001 quality standard and the Royal Society of Health hygiene standard.

# the great australian bite

## australia and new zealand

|                     | 2001 | 2000 |
|---------------------|------|------|
| sales £m            | 583  | 608  |
| operating profit £m | 19   | 31   |

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

The year was extremely challenging for George Weston Foods. Sales increased 3% in local currency, but accounting for a 7% decline in the value of the Australian dollar, sales in sterling declined 4% to £583 million. Major increases in input costs, particularly wheat, meat and energy, which were not recovered in selling prices, and restructuring costs in some businesses resulted in a profit fall from £31 million to £19 million.

The milling and baking business performed well in the year and increased profits. Wheat prices increased sharply earlier in the year following poor weather, particularly in New South Wales. This reduced margins in the milling business which were later recovered with flour price increases. The baking business had a number of product innovations and strong marketing initiatives during the year. Of particular note was the introduction of Noble Rise 'Tasty Crust', which uses proprietary packaging and flavour technology to offer consumers bread that is crusty on top and soft in the middle. Through the successful expansion of the Noble Rise range, the baking business has strengthened its already strong position in the premium bread market. The Tip Top and Sunblest brands were supported with very successful television advertising.

The biscuit business saw its volumes fall this year and the loss of contribution combined with the effect of increased flour prices reduced profits. The Quatro biscuit range was successfully extended with the launch of the hazelnut variety.

Over 75% of Australian households buy **George Weston Foods'** bread and biscuit brands and the company makes an astonishing 30,000 fresh bread deliveries across the country every day. Tip Top bread is the leading Australian food brand.

Increased meat prices, and cost and service inefficiencies arising from the transfer of meat processing from Chapman's at Nairne to Don's in Melbourne, resulted in a decline in the profitability of the meat and dairy business. The new management team is now focusing on cost reductions and improvements in the service levels at Don's. In light of the deregulation of the dairy industry a decision was taken to sell the Capel dairy to a local farming cooperative.

## australia and new zealand continued

### **George Weston Foods**

The position of Noble Rise in the premium bread sector was strengthened by the introduction of Noble Rise 'Tasty Crust'.

**George Weston Foods**

For over 50 years George Weston Foods has served the Australian and New Zealand markets and is proud to have played its part in the growth of these countries. The current television advertising campaign celebrates this.

**George Weston Foods** The new website has something for everyone. Information on George Weston Foods' products, recipes and educational material sit alongside details of employment opportunities, community activities and competitions.

The starch business suffered a reduction in profit as a result of reduced volume and low factory yields.

There was progress in the rebuilding and strengthening of the business management teams this year. New chief executives were appointed in the meat and dairy, biscuit and cake and bioproducts businesses, with new sales and marketing teams in place in biscuit and cake and meat and dairy. In addition, a business improvement programme has been introduced which has already delivered savings resulting from reduced duplication, benefits in procurement and improved distribution.

George Weston Foods continued to be a major contributor to the Australian community and culture with its sponsorship of a range of events and charities.

While the year just passed was a difficult one, our strategy in Australia of cost reduction and improving our market position through the introduction of new products and services leads us to expect an improvement in profitability as the current year progresses.

**Peter Jackson**  
Chief Executive

# finance director's report

## Group performance

Sales for the group including its share of joint ventures increased £20 million to £4,434 million. Adjusting for the disposal of businesses, sales increased by 6% to £4,338 million.

Operating profit before the amortisation of goodwill and exceptional items increased by 3%, or £11 million, to £351 million. Adjusting for the disposal of businesses, operating profit increased by 8%, from £325 million to £350 million.

More comprehensive disclosure of the results by business has been provided this year and is included in an expanded segmental analysis in the notes to the financial statements. Business segment operating profits include a pension charge that reflects the regular cost. The difference between this charge and that required under SSAP 24 is shown as a credit held centrally. Central costs are those incurred in the group's head office, including treasury, property and insurance. These costs for 2000 were reduced by income related to rents on properties which have now been sold.

In light of the poor performance by the food business of SPI, our US polyols business, we have reviewed the carrying value of the assets of this business and have written off £62 million of intangible fixed assets. This has been disclosed as an exceptional goodwill charge in the accounts.

In October 2000, we sold Burton's, the UK biscuit and sugar confectionery business, Rowallan, an industrial fats business, and the pig business of ABN. Just before the year end we concluded negotiations for the sale

of Nelsons of Aintree, the jams and preserves business, and the ACH rice processing business at Greenville, Mississippi. These disposals generated a total consideration of £170 million of which £142 million was received during the year, and a net exceptional profit of £17 million after the write off of £6 million of goodwill.

In January 2001, ACH completed the acquisition of the branded foodservice oil business from Procter & Gamble in the US. We also acquired four sugar factories in Poland, the Huaiyuan sugar mill in China and three Scandinavian distribution businesses for Twinings. The total acquisition spend in the year was £121 million.

Investment income increased from £61 million in 2000 to £66 million this year. This reflects the higher level of funds available for investment, through internal cash generation and the net proceeds from acquisition and disposal activity, which more than offset the impact of a slightly lower average interest rate this year compared to last year. We continued to dispose of former retail bakery properties that are no longer operated by the group and this increased the profit on the sale of properties from £8 million to £20 million.

Profit before tax increased from £247 million to £357 million. Adjusted to exclude exceptional items, property profits and the amortisation of goodwill, profit before tax increased 5% from £375 million to £393 million.

## Taxation

The tax charge of £106 million represents an underlying effective tax rate of 27.0% on the adjusted profit before tax and compares with 29.6% in 2000. This reduction can be attributed principally to lower tax rates in some overseas

'More comprehensive disclosure of the results by business has been provided this year and is included in an expanded segmental analysis in the notes to the accounts.'

jurisdictions, lower profits earned in countries with higher tax rates and relief on amortisation of goodwill on the recent asset acquisitions in the US. No tax relief is available on the amortisation of goodwill elsewhere and the use of capital losses has sheltered the capital gains on property and business disposals.

#### Earnings and dividends

Earnings increased by £105 million to £243 million and the weighted average number of shares in issue remained constant at 789 million. Earnings per ordinary share increased from 17.5p to 30.8p. However, after adjusting for exceptional items, the property profits and amortisation of goodwill, earnings per share increased by 7% from 33.1p to 35.4p. The first interim dividend was maintained at 4.25p and a second interim dividend has been declared at 7.55p which represents an overall increase of 5% for the year. Dividends will cost a total of £93 million. Dividend cover, on an adjusted basis, is 3.0 times (2000 – 2.9 times). £150 million will be transferred to reserves.

#### Balance sheet

Fixed assets declined by £40 million to £1,607 million with additions from capital expenditure and acquisitions being more than offset by depreciation, disposals, foreign exchange movements and the exceptional amortisation of goodwill. Net cash funds, being current asset investments and cash at bank less short-term borrowings and loans, increased by £70 million to £1,051 million reflecting the cash generated by the group in the year. Working capital, including tax and dividend accruals, increased by £61 million mainly as a result of a lower tax accrual and the timing of year end trade payments and receipts. Provisions reduced mainly as a result of the payment of the £27 million

European Commission fine levied on British Sugar for an infringement of competition law prior to its acquisition by the group. As a result the group's net assets increased by £115 million to £2,956 million.

A currency loss of £44 million arose on the translation into sterling of the group's non-sterling net assets principally in Australia and the US.

Return on capital employed, defined as the operating profit before exceptional items and goodwill expressed as a percentage of year end capital employed, improved from 18.2% to 18.5% for the continuing businesses of the group. Strong profit and margin improvements were made in primary food and agriculture, ingredients and oils and grocery. These more than offset the reduced return in Australia and a lower return in Primark where the significant capital investment late in the year will generate a full return next year.

#### Cash flow

Net cash flow from operating activities was £427 million, £18 million lower than last year, with the increased profit before depreciation and amortisation of goodwill being more than offset by a working capital increase.

Capital expenditure during the year was £212 million of which £68 million was spent on the acquisition or refitting of Primark stores and the balance was used principally to upgrade, modernise and expand existing manufacturing facilities.

The net proceeds from disposals less spend on acquisitions amounted to £21 million.

## finance director's report continued

### Treasury policy and controls

The group's cash and current asset investments totalled £1,290 million at the year end including some £896 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 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 businesses 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.

### Financial reporting standards and accounting policies

Three new financial reporting standards have been issued during the year:

FRS 17 – 'Retirement Benefits', requires additional disclosures to be made this year in respect of the closing balance sheet. These disclosures are made in note 4 to the accounts. Full adoption of the standard is not required until the year ending September 2003.

FRS 18 – 'Accounting Policies', has been adopted and imposes no new obligations on the group.

FRS 19 – 'Deferred Tax', has the effect of replacing the partial provision method of accounting for deferred tax required by SSAP 15, with full provision. This standard will be adopted in the accounts for the year ending September 2002.

There have been no changes to the group's accounting policies from the previous year.

**John Bason**

Finance Director

## board of directors

### Executive directors

#### **Harold W Bailey (age 65)**

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 37)**

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.

#### **Peter J Jackson (age 54)**

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

#### **John G Bason (age 44)**

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.

### Non-executive directors

#### **WG Galen Weston OC (age 61)**

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 73)†**

A director since 1994, he is Emeritus Professor of Management Science in the University of Manchester, Chancellor of the University of Manchester Institute of Science and Technology and is Chairman of Manchester United plc.

#### **Rt. Hon. Lord MacGregor of Pulham Market, OBE (age 64)†**

A director since 1994, he was a Member of Parliament from 1974 to 2001, with 15 years in government including 9 in the Cabinet. He is a director of Slough Estates plc, Uniq plc, Friends Provident, and of the supervisory board of DAF Trucks N.V.

#### **Martin G Adamson (age 62)†**

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.

†Independent non-executive director

Professor Sir Roland Smith is the Senior Independent Director.

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

Professor Sir Roland Smith, Lord MacGregor and Martin G Adamson are members of the Audit committee.

## directors' report

The directors submit to the members their sixty-sixth annual report together with the financial statements of the company for the 52 weeks ended 15 September 2001.

### Profits and dividends

The group profit and loss account is on page 46. Profit for the financial year amounted to £243 million and the dividends to £93 million. Dividends are detailed in note 8 on page 57.

### 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 review and the Finance Director's report on pages 4 to 32.

### 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 68.

The Patrimony Fund Limited has ceased to have a notifiable interest in the issued ordinary shares of 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 15 December 2000, 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 14 December 2005. No such shares have been issued. The directors propose to renew this authority at the annual general meeting to be held on 7 December 2001 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 7 December 2001 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.

### Associated British Foods plc Executive Share Option Scheme ('the Executive Scheme')

This scheme was approved and adopted by the company at the annual general meeting held on 15 December 2000.

Under the terms of the Executive Scheme options to purchase ordinary shares in the company may be granted to selected employees over the ten years from 15 December 2000. The exercise of an option under this scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance criteria which are based on growth in the group and subsidiary company profits.

#### 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 and the animal feed Central Laboratories. Facilities also exist at ACH Food Companies in the US, Weston Technologies in Australia and AB Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

#### UK charitable and political contributions

Contributions to charitable organisations by the group during the year totalled £0.2 million. No political contributions were made during the year.

#### Payments to suppliers

The group does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers at the time it enters into binding purchasing contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these

terms. The group seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Associated British Foods plc has no trade creditors.

#### Auditors

In accordance with Section 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, 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 6 November 2001 appear on page 33.

## directors' report continued

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

Garry H Weston retired as a director on 15 December 2000.

### 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 payable to executive directors. Payment of such bonuses is dependent upon the achievement of demanding preset targets relating to operating profit and return on capital employed. Performance related bonuses are not pensionable other than in the case of Peter J Jackson for whom there is a contractual obligation.
- ii) subject to the rules of the company's share option schemes, Peter J Jackson and John G Bason are both entitled under their service contracts to receive an allocation of share options for each of five years and 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.

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

The remuneration of the directors was as follows:

|   | Salary<br>or fees<br>£'000 | Bonus<br>£'000 | Benefits<br>£'000 | 2001<br>Total<br>£'000 | 2000<br>Total<br>£'000 |
|---|----------------------------|----------------|-------------------|------------------------|------------------------|
| Harold W Bailey                           | 160                        | -              | 13                | 173                    | 167                    |
| George G Weston                           | 174                        | 20             | 10                | 204                    | 167                    |
| Garry H Weston (retired 15 December 2000) | -                          | -              | -                 | -                      | 219                    |
| Peter J Jackson                           | 412                        | 114            | 42                | 568                    | 390                    |
| Trevor HM Shaw (resigned 31 May 2000)     | -                          | -              | -                 | -                      | 141                    |
| John G Bason                              | 313                        | 86             | 16                | 415                    | 301                    |
| WG Galen Weston                           | -                          | -              | -                 | -                      | -                      |
| Lord MacGregor                            | 28                         | -              | -                 | 28                     | 28                     |
| Professor Sir Roland Smith                | 28                         | -              | -                 | 28                     | 28                     |
| Martin G Adamson                          | 28                         | -              | -                 | 28                     | 26                     |
|   | 1,143                      | 220            | 81                | 1,444                  | 1,467                  |

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

Pension benefits earned by the directors (1):

|                 | Age at<br>year end | Normal<br>retirement<br>age | Directors'<br>contributions<br>in the year (2) |               | Increase in accrued<br>pension entitlement<br>during the year (3) |               | Accumulated total<br>accrued pension<br>at year end |               |
|-----------------|--------------------|-----------------------------|--|---------------|---|---------------|---|---------------|
|                 |                    |                             | 2001<br>£'000                                  | 2000<br>£'000 | 2001<br>£'000   | 2000<br>£'000 | 2001<br>£'000                                       | 2000<br>£'000 |
| George G Weston | 37                 | 65                          | 9  | 8             | 9   | 7             | 30  | 20            |
| Peter J Jackson | 54                 | 60                          | –  | –             | 32  | 29            | 189   | 150           |
| John G Bason    | 44                 | 62                          | 14   | 14            | 15  | –             | 15  | –             |

(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 Bason and George Weston accrue pensions in the Associated British Foods Pension Scheme on their earnings up to the Earnings Cap. In order to provide a pension on their earnings above this level, the company has established an unfunded unapproved retirements benefits scheme.

The company has also established a funded unapproved life assurance scheme to provide cover for the excess over that provided by the Pension Scheme.

(5) The company paid a pension to a former director of £6,000 (2000 – £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.

## directors' report continued

At 15 September 2001, the following directors had outstanding options to acquire ordinary shares of Associated British Foods plc.

|                 | At 16.9.00<br>Number | Granted | At 15.9.01<br>Number | Exercise<br>price | Date<br>from which<br>exercisable | Expiry<br>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               | 100,000 | 100,000              | 484.00p           | 17.1.2004                         | 16.1.2011      |
|                 |                      | 45,000  | 45,000               | 484.00p           | 17.1.2004                         | 16.1.2011      |
| John G Bason    | 100,000              | -       | 100,000              | 467.00p           | 11.5.2004                         | 10.5.2009      |
|                 |                      | 50,000  | 50,000               | 484.00p           | 17.1.2004                         | 16.1.2011      |

No other directors had any options during the year and no options lapsed or were exercised during the year.

The mid-market price of the shares at 15 September 2001 was 451.75p. The highest mid-market price during the year was 521.25p and the lowest mid-market price was 398.00p.

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 fellow subsidiary undertakings.

|  | 15 September<br>2001 | 16 September<br>2000 |
|--|----------------------|----------------------|
| <b>Harold W Bailey</b>   |                      |                      |
| Associated British Foods plc, ordinary shares of 5 <sup>15</sup> / <sub>22</sub> 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 <sup>15</sup> / <sub>22</sub> p | 3,146,761            | 3,146,761            |
| <b>Peter J Jackson</b>   |                      |                      |
| Associated British Foods plc, ordinary shares of 5 <sup>15</sup> / <sub>22</sub> p | 17,600               | 17,600               |
| <b>John G Bason</b>  |                      |                      |
| Associated British Foods plc, ordinary shares of 5 <sup>15</sup> / <sub>22</sub> 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 <sup>15</sup> / <sub>22</sub> p | 5,672,560            | 5,672,560            |
| <b>Lord MacGregor</b>  |                      |                      |
| Associated British Foods plc, ordinary shares of 5 <sup>15</sup> / <sub>22</sub> p | 2,045                | 2,045                |
| <b>Martin G Adamson</b>  |                      |                      |
| Associated British Foods plc, ordinary shares of 5 <sup>15</sup> / <sub>22</sub> p | 10,000               | 10,000               |

## directors' report continued

### 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 WG Galen Weston and George G Weston are trustees of a trust, in which they have no beneficial interest, which at 15 September 2001 held 683,073 ordinary shares of 50p (2000 – 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 15 September 2001 held 38,665 ordinary shares of 5<sup>1</sup>/<sub>2</sub>p (2000 – 38,665) in Associated British Foods plc.

### Subsequent changes

The interests shown above remained the same at 6 November 2001.

### 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, reused or recycled where practicable;
- 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.

Group companies, having reviewed the environmental risks of their operations, have set themselves improvement targets where appropriate. Most of the manufacturing sites have targets to reduce energy consumption, which have been made binding using formal contracts with the UK government under its Climate Change Levy scheme. However, due to the scale and diversity of group company

operations and the nature of the targets, it is not possible to aggregate these individual targets to produce overall ABF targets.

The environmental impact of company operations and the progress towards targets is monitored.

The Company Secretary receives regular reports from the divisions and is responsible to the board for environmental performance.

The directors issued revised health and safety and environmental policies in July 2001. Further details of these policies can be viewed on the company website at [www.abf.co.uk](http://www.abf.co.uk), or are available from the Company Secretary.

#### *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*

The following action has been taken during the year:

- The introduction of a performance related share option scheme for directors and senior executives.
- The introduction of performance related bonuses for directors and senior executives.

Having implemented these changes, the board considers that it is now in full compliance with the

Code provisions set out in Section 1 of the Combined Code with the exception that 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 Harold W Bailey, Executive Chairman, should serve on the committee in view of his unique knowledge of the business and its people.

The statement of directors' responsibilities for preparing the financial statements is set out on page 44.

#### *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 33. 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 and based on short lines of communication. Management responsibilities for major operating divisions are

## directors' report *continued*

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.

The remuneration of the non-executive directors is determined 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 system 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.

### *Internal controls*

The directors acknowledge their responsibilities for the group's system of internal controls, financial and otherwise, and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of assets being unprotected against unauthorised use and of failure to achieve business objectives. The system 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 former requirements to review internal financial controls, to cover all internal controls, including financial, operational, compliance and risk management.

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

- **Standards**  
There are group-wide guidelines on the minimum requirements for health and safety and environmental standards. There are also group-wide guidelines

on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The board of each business is required to confirm annually that it has complied with those policies 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.

Clearly defined guidelines have been established for capital expenditure and investment decisions encompassing budgets, appraisal and review procedures and levels of authority.

- Risk management review

The detailed policies and internal control procedures established at operational level are reviewed by group personnel. Each business is responsible for regularly assessing its risk management activities to ensure good practice in all areas. These assessments are reviewed by group personnel twice a year. The Audit committee receives reports on internal control issues from management and from the external auditors.

#### Going concern

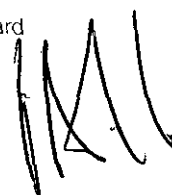
After making due enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements on pages 46 to 69.

By order of the board

**Paul Lister**

Secretary

6 November 2001



## 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 at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# independent auditor's report to the members of Associated British Foods plc

We have audited the financial statements on pages 46 to 69.

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report and accounts. As described on page 44 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 1985. 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 41 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 15 September 2001 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

Chartered Accountants  
Registered Auditor  
London 6 November 2001

# consolidated profit and loss account

for the year ended 15 September 2001

|  | Note | Continuing operations before exceptional items<br>£m | Exceptional items<br>£m | Total 2001<br>£m | Continuing operations before exceptional items<br>£m | Exceptional items<br>£m | Total 2000<br>£m |
|--|------|--|-------------------------|------------------|--|-------------------------|------------------|
| <b>Turnover of the group including its share of joint ventures</b>     |      |  |                         |                  |  |                         |                  |
| Less share of turnover of joint ventures                               |      | 4,434  | –                       | 4,434            | 4,414  | –                       | 4,414            |
| <b>Group turnover</b>  | 1    | <b>4,418</b>   | –                       | <b>4,418</b>     | 4,406  | –                       | 4,406            |
| Operating costs  | 2    | (4,085)  | (62)                    | (4,147)          | (4,079)  | (130)                   | (4,209)          |
| <b>Group operating profit</b>  |      | <b>333</b>   | <b>(62)</b>             | <b>271</b>       | 327  | (130)                   | 197              |
| Share of operating results of – joint ventures                         |      | 3  | –                       | 3                | 3  | –                       | 3                |
| – associates   |      | 4  | –                       | 4                | 4  | –                       | 4                |
| <b>Total operating profit</b>  | 1    | <b>340</b>   | <b>(62)</b>             | <b>278</b>       | 334  | (130)                   | 204              |
| Operating profit before exceptional items and amortisation of goodwill |      |  |                         |                  |  |                         |                  |
| Exceptional items  | 1    | 351  | –                       | 351              | 340  | –                       | 340              |
| Amortisation of goodwill   |      | (11)   | (62)                    | (73)             | (6)  | –                       | (6)              |
| Profits less losses on sale of properties                              |      | 20   | –                       | 20               | 8  | –                       | 8                |
| Profits less losses on sale of businesses                              |      | –  | 17                      | 17               | –  | –                       | –                |
| Investment income  | 5    | 66   | –                       | 66               | 61   | –                       | 61               |
| <b>Profit on ordinary activities before interest</b>                   |      | <b>426</b>   | <b>(45)</b>             | <b>381</b>       | 403  | (130)                   | 273              |
| Interest payable   | 6    | (24)   | –                       | (24)             | (26)   | –                       | (26)             |
| <b>Profit on ordinary activities before taxation</b>                   |      | <b>402</b>   | <b>(45)</b>             | <b>357</b>       | 377  | (130)                   | 247              |
| Adjusted profit before taxation  |      |  |                         |                  |  |                         |                  |
| Profits less losses on sale of properties                              |      | 393  | –                       | 393              | 375  | –                       | 375              |
| Exceptional items  |      | 20   | –                       | 20               | 8  | –                       | 8                |
| Amortisation of goodwill   |      | –  | 17                      | 17               | –  | (130)                   | (130)            |
|  |      | (11)   | (62)                    | (73)             | (6)  | –                       | (6)              |
| Tax on profit on ordinary activities                                   | 7    | (106)  | –                       | (106)            | (111)  | –                       | (111)            |
| <b>Profit on ordinary activities after taxation</b>                    |      | <b>296</b>   | <b>(45)</b>             | <b>251</b>       | 266  | (130)                   | 136              |
| Minority interests – equity  |      | (8)  | –                       | (8)              | (3)  | 5                       | 2                |
| <b>Profit for the financial year</b>                                   |      | <b>288</b>   | <b>(45)</b>             | <b>243</b>       | 263  | (125)                   | 138              |
| Dividends – interim  | 8    | (93)   | –                       | (93)             | (89)   | –                       | (89)             |
| <b>Transfer to/(from) reserves</b>                                     | 21   | <b>195</b>   | <b>(45)</b>             | <b>150</b>       | 174  | (125)                   | 49               |
| Basic and diluted earnings per ordinary share                          | 9    |  |                         | <b>30.8p</b>     |  |                         | 17.5p            |
| Adjusted earnings per ordinary share                                   | 9    |  |                         | <b>35.4p</b>     |  |                         | 33.1p            |

The group has made no material acquisitions nor discontinued any operations within the meaning of the Financial Reporting Standards during either 2001 or 2000.

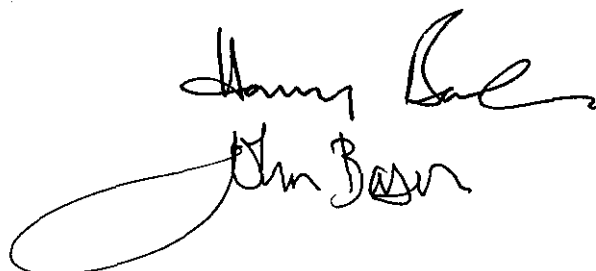
# consolidated balance sheet

at 15 September 2001

|   | Note | 2001<br>£m   | 2000<br>£m   |
|---|------|--------------|--------------|
| <b>Fixed assets</b>   |      |              |              |
| Intangible assets – goodwill                                  | 10   | 179          | 151          |
| Tangible assets   | 11   | 1,397        | 1,459        |
|   |      | <b>1,576</b> | <b>1,610</b> |
| Interest in net assets of – joint ventures                    | 13   | 10           | 12           |
| – associates  | 13   | 9            | 11           |
| Other investments   | 13   | 12           | 14           |
| Total fixed asset investments                                 |      | <b>31</b>    | <b>37</b>    |
|   |      | <b>1,607</b> | <b>1,647</b> |
| <b>Current assets</b>   |      |              |              |
| Stocks  | 14   | 469          | 496          |
| Debtors   | 15   | 549          | 526          |
| Investments   | 16   | 1,195        | 1,133        |
| Cash at bank and in hand                                      |      | 95           | 65           |
|   |      | <b>2,308</b> | <b>2,220</b> |
| <b>Creditors amounts falling due within one year</b>          |      |              |              |
| Short-term borrowings   | 17   | (82)         | (57)         |
| Other creditors   | 18   | (671)        | (735)        |
|   |      | <b>(753)</b> | <b>(792)</b> |
| <b>Net current assets</b>                                     |      |              |              |
|   |      | <b>1,555</b> | <b>1,428</b> |
| <b>Total assets less current liabilities</b>                  |      |              |              |
|   |      | <b>3,162</b> | <b>3,075</b> |
| <b>Creditors amounts falling due after one year</b>           |      |              |              |
| Loans   | 17   | (157)        | (160)        |
| Other creditors   | 18   | (10)         | (11)         |
|   |      | <b>(167)</b> | <b>(171)</b> |
| <b>Provision for liabilities and charges</b>                  |      |              |              |
|   | 19   | (39)         | (63)         |
|   |      | <b>2,956</b> | <b>2,841</b> |
| <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   | 2,658        | 2,540        |
| <b>Equity shareholders' funds</b>                             |      | <b>2,881</b> | <b>2,763</b> |
| <b>Minority interests in subsidiary undertakings – equity</b> |      | <b>75</b>    | <b>78</b>    |
|   |      | <b>2,956</b> | <b>2,841</b> |

These financial statements were approved by the board of directors on 6 November 2001 and were signed on its behalf by:

Harry Bailey Director  
John Bason Director



# consolidated cash flow statement

for the year ended 15 September 2001

|   | Note | 2001<br>£m   | 2000<br>£m |
|---|------|--------------|------------|
| <b>Cash flow from operating activities</b>                      | 25   | <b>427</b>   | 445        |
| <b>Dividends from joint ventures</b>                            |      | <b>3</b>     | 2          |
| <b>Dividends from associates</b>                                |      | <b>1</b>     | 1          |
| <b>Return on investments and servicing of finance</b>           |      |              |            |
| Investment income   |      | 66           | 51         |
| Interest paid   |      | (24)         | (26)       |
| Dividends paid to minorities                                    |      | (10)         | (2)        |
|   |      | <b>32</b>    | 23         |
| <b>Taxation</b>   |      | <b>(127)</b> | (106)      |
| <b>Capital expenditure and financial investment</b>             |      |              |            |
| Purchase of tangible fixed assets                               |      | (212)        | (182)      |
| Sale of tangible fixed assets                                   |      | 39           | 32         |
| Purchase of equity investments                                  |      | (1)          | (7)        |
| Sale of equity investments                                      |      | 7            | 17         |
|   |      | <b>(167)</b> | (140)      |
| <b>Acquisitions and disposals</b>                               |      |              |            |
| Purchase of new subsidiary undertakings                         | 26   | (121)        | (73)       |
| Purchase of joint ventures and associates                       |      | -            | (5)        |
| Sale of subsidiary undertakings                                 | 26   | 142          | 54         |
|   |      | <b>21</b>    | (24)       |
| <b>Equity dividends paid</b>                                    |      | <b>(88)</b>  | (85)       |
| <b>Net cash inflow before use of liquid funds and financing</b> |      | <b>102</b>   | 116        |
| <b>Management of liquid resources</b>                           | 28   | <b>(76)</b>  | (104)      |
| <b>Financing</b>  |      |              |            |
| Borrowings due within one year – repayment of loans             |      | (28)         | (54)       |
| – increase in loans   |      | 42           | 50         |
| Borrowings due after one year – repayment of loans              |      | (13)         | -          |
| – increase in loans   |      | 5            | 1          |
| Increase in bank borrowings                                     |      | -            | 4          |
| <b>Increase in cash</b>   |      | <b>32</b>    | 13         |

## consolidated statement of total recognised gains and losses

for the year ended 15 September 2001

|   | 2001<br>£m | 2000<br>£m |
|---|------------|------------|
| <b>Profit for the financial year</b>                            | <b>243</b> | 138        |
| Currency translation differences on foreign currency net assets | (44)       | 50         |
| Tax on currency translation differences                         | 7          | (12)       |
| <b>Total recognised gains and losses</b>                        | <b>206</b> | 176        |

## consolidated statement of historical cost profits

for the year ended 15 September 2001

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 15 September 2001

|  | Company    |            | Group        |            |
|--|------------|------------|--------------|------------|
|  | 2001<br>£m | 2000<br>£m | 2001<br>£m   | 2000<br>£m |
| <b>Profit for the financial year</b>                   | <b>110</b> | 125        | <b>243</b>   | 138        |
| Dividends - interim                                    | (93)       | (89)       | (93)         | (89)       |
| <b>Transfer to reserves</b>                            | <b>17</b>  | 36         | <b>150</b>   | 49         |
| Goodwill written back                                  | -          | -          | 5            | 2          |
| Other recognised gains and losses relating to the year | -          | -          | (37)         | 38         |
| <b>Net increase in shareholders' funds</b>             | <b>17</b>  | 36         | <b>118</b>   | 89         |
| Opening shareholders' funds                            | <b>215</b> | 179        | <b>2,763</b> | 2,674      |
| <b>Closing shareholders' funds</b>                     | <b>232</b> | 215        | <b>2,881</b> | 2,763      |

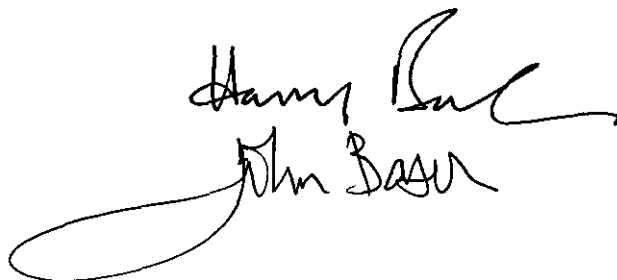
# company balance sheet

at 15 September 2001

|  | Note | 2001<br>£m     | 2000<br>£m     |
|--|------|----------------|----------------|
| <b>Fixed assets</b>                                  |      |                |                |
| Investment in own shares                             | 13   | 10             | 10             |
| Shares in subsidiary undertakings                    | 24   | 145            | 284            |
|  |      | <b>155</b>     | <b>294</b>     |
| <b>Current assets</b>                                |      |                |                |
| Debtors  | 15   | 1,657          | 1,310          |
| Investments  | 16   | 227            | 195            |
| Cash at bank and in hand                             |      | 19             | 16             |
|  |      | <b>1,903</b>   | <b>1,521</b>   |
| <b>Creditors</b> amounts falling due within one year |      |                |                |
| Short-term borrowings                                | 17   | (5)            | (1)            |
| Other creditors                                      | 18   | (1,821)        | (1,599)        |
|  |      | <b>(1,826)</b> | <b>(1,600)</b> |
| <b>Net current assets/(liabilities)</b>              |      | <b>77</b>      | <b>(79)</b>    |
|  |      | <b>232</b>     | <b>215</b>     |
| <b>Capital and reserves</b>                          |      |                |                |
| Called up share capital                              | 20   | 47             | 47             |
| Profit and loss account                              | 21   | 185            | 168            |
| <b>Equity shareholders' funds</b>                    |      | <b>232</b>     | <b>215</b>     |

These financial statements were approved by the board of directors on 6 November 2001 and were signed on its behalf by:

Harry Bailey Director  
John Bason Director



The image shows two handwritten signatures in black ink. The top signature is for Harry Bailey and the bottom signature is for John Bason. Both signatures are written in a cursive, flowing style.

# 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 15 September 2001, 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 2001, and those of the North American subsidiary undertakings are made up to 31 August 2001.

## 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 FRS 10 and amortised over its useful economic life, not exceeding 20 years. Goodwill previously written off against reserves has not been reinstated.

## Tangible fixed assets

Tangible fixed assets are carried at their original cost less accumulated depreciation.

## 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  |

## 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 impairment.

## accounting policies continued

### 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.

### Foreign currencies

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

### Leases

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

### 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 15 September 2001

## 1. Segmental analysis

|  | Group turnover |              | Operating profit |            | Capital employed |              |
|--|----------------|--------------|------------------|------------|------------------|--------------|
|  | 2001<br>£m     | 2000<br>£m   | 2001<br>£m       | 2000<br>£m | 2001<br>£m       | 2000<br>£m   |
| <b>Analysis by business</b>                              |                |              |                  |            |                  |              |
| Primary food and agriculture                             | 1,867          | 1,802        | 172              | 157        | 769              | 746          |
| Ingredients and oils                                     | 711            | 640          | 42               | 32         | 266              | 260          |
| Grocery  | 858            | 847          | 37               | 29         | 319              | 295          |
| Retail and packaging                                     | 574            | 484          | 63               | 53         | 339              | 249          |
| Australia and New Zealand                                | 583            | 608          | 19               | 31         | 230              | 246          |
| Inter company sales                                      | (255)          | (279)        | -                | -          | -                | -            |
| Central costs/capital employed                           | -              | -            | (10)             | (4)        | (33)             | (10)         |
| Pension credit   | -              | -            | 27               | 27         | -                | -            |
|  | <b>4,338</b>   | <b>4,102</b> | <b>350</b>       | <b>325</b> | <b>1,890</b>     | <b>1,786</b> |
| Businesses disposed:                                     |                |              |                  |            |                  |              |
| Grocery  | 33             | 251          | 2                | 13         | -                | 83           |
| Ingredients and oils                                     | 47             | 53           | (1)              | 2          | -                | 29           |
| Exceptional items  | -              | -            | -                | (130)      | -                | -            |
| Amortisation of goodwill                                 | -              | -            | (73)             | (6)        | -                | -            |
|  | <b>4,418</b>   | <b>4,406</b> | <b>278</b>       | <b>204</b> | <b>1,890</b>     | <b>1,898</b> |
| <b>Analysis by geography (by origin and destination)</b> |                |              |                  |            |                  |              |
| European Union (mainly UK and Ireland)                   | 2,913          | 2,782        | 246              | 235        | 1,321            | 1,229        |
| Australia and New Zealand                                | 583            | 608          | 19               | 31         | 230              | 246          |
| North America  | 651            | 578          | 33               | 26         | 234              | 225          |
| Elsewhere  | 191            | 134          | 25               | 6          | 105              | 86           |
| Pension credit   | -              | -            | 27               | 27         | -                | -            |
|  | <b>4,338</b>   | <b>4,102</b> | <b>350</b>       | <b>325</b> | <b>1,890</b>     | <b>1,786</b> |
| Businesses disposed:                                     |                |              |                  |            |                  |              |
| European Union   | 50             | 255          | 3                | 14         | -                | 90           |
| North America  | 30             | 49           | (2)              | 1          | -                | 22           |
| Exceptional items:                                       |                |              |                  |            |                  |              |
| European Union   | -              | -            | -                | (72)       | -                | -            |
| North America  | -              | -            | -                | (45)       | -                | -            |
| Elsewhere  | -              | -            | -                | (13)       | -                | -            |
| Amortisation of goodwill                                 | -              | -            | (73)             | (6)        | -                | -            |
|  | <b>4,418</b>   | <b>4,406</b> | <b>278</b>       | <b>204</b> | <b>1,890</b>     | <b>1,898</b> |

Business segment operating profits include a pension charge that reflects the regular cost. The difference between this charge and that required under SSAP 24 is shown as a credit held centrally. Virtually all of the credit arises in the European Union.

The amortisation of goodwill arises in primary food and agriculture £1 million (2000 – £1 million), ingredients and oils £71 million including an exceptional charge of £62 million (2000 – £5 million), and grocery £1 million (2000 – £nil). By geography, the charge arises in the European Union £1 million (2000 – £1 million), North America £71 million (2000 – £4 million) and elsewhere £1 million (2000 – £1 million).

The exceptional write down of goodwill relates to a FRS 11 impairment charge based on the projected cash flows of SPI's food business discounted at 12.5%. The exceptional charge of £130 million in 2000 related to primary food and agriculture – £72 million, ingredients and oils – £48 million and grocery – £10 million.

Capital employed comprises tangible fixed assets, interests in joint ventures and associates, current assets (excluding cash and investments), creditors (excluding borrowings, tax and dividends) and provisions for liabilities and charges.

## notes forming part of the financial statements continued

### 2. Operating costs

|  | 2001         | 2000         |
|--|--------------|--------------|
|  | £m           | £m           |
| Cost of sales (including exceptional items and amortisation of goodwill) | 3,321        | 3,346        |
| Distribution costs   | 513          | 546          |
| Administration expenses  | 313          | 317          |
| <b>Operating costs</b>   | <b>4,147</b> | <b>4,209</b> |

Operating costs are stated after charging:

|   |     |     |
|---|-----|-----|
| Staff costs                             | 562 | 581 |
| Impairment of intangible fixed assets   | 62  | -   |
| Amortisation of intangible fixed assets | 11  | 6   |
| Impairment of tangible fixed assets     | -   | 32  |
| Depreciation of fixed tangible assets   | 149 | 206 |
| Hire of plant and machinery             | 8   | 8   |
| Rentals payable under property leases   | 21  | 19  |
| Research and development                | 7   | 8   |

The remuneration of the auditors in respect of audit services provided to the group during the year was £2.2 million (2000 – £1.9 million) and £0.2 million (2000 – £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 £3.0 million (2000 – £2.7 million).

### 3. Employees

|                                       | 2001          | 2000          |
|---------------------------------------|---------------|---------------|
| Average number of employees:          |               |               |
| European Union, mainly UK and Ireland | 20,557        | 21,490        |
| Australia and New Zealand             | 7,045         | 7,578         |
| North America                         | 2,154         | 2,222         |
| Elsewhere                             | 4,233         | 3,082         |
|                                       | <b>33,989</b> | <b>34,372</b> |
|                                       | £m            | £m            |
| Staff costs – wages and salaries      | 520           | 538           |
| – social security costs               | 29            | 30            |
| – other pension costs                 | 13            | 13            |
|                                       | <b>562</b>    | <b>581</b>    |

Details of directors' remuneration, share options and pension entitlements are shown in the directors' report on pages 36 to 38.

#### 4. Pension costs

The group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be mandatory for the group until the year ended 13 September 2003. Prior to this, phased transitional disclosures are required and are set out in (b).

##### **(a) Associated British Foods pension schemes**

The group operates pension schemes, the majority of which are of the defined benefit type. The pension cost for the year was £13 million (2000 – £13 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.

##### **(b) FRS 17 Retirement Benefits**

For the purposes of FRS 17 disclosures, the most recent actuarial valuations referred to above have been updated to 15 September 2001 by an independent qualified actuary.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

|   | UK<br>% | Overseas<br>% |
|---|---------|---------------|
| Rate of general increase in salaries    | 4.5     | 4.5           |
| Rate of increase in pensions in payment | 2.5     | 2.5           |
| Rate of increase of deferred pensions   | 2.5     | 2.5           |
| Discount rate of scheme liabilities     | 6.0     | 6.0           |
| Inflation                               | 2.5     | 2.5           |

## notes forming part of the financial statements continued

### 4. Pension costs continued

The expected rates of return and market values of the assets of the principal funds at 15 September 2001 were as follows:

|                                     | UK                                  |                 | Overseas                            |                 |
|-------------------------------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
|                                     | Expected long-term rate of return % | Market value £m | Expected long-term rate of return % | Market value £m |
| Equities                            | 7.25                                | 1,150           | 7.25                                | 35              |
| Government bonds                    | 5.00                                | 66              | 5.00                                | 10              |
| Non-government bonds                | 6.00                                | 343             | 6.00                                | –               |
| Property                            | 6.50                                | 105             | 6.50                                | 4               |
| Other                               | 5.00                                | 18              | 5.00                                | –               |
|                                     |                                     | 1,682           |                                     | 49              |
| Present value of scheme liabilities |                                     | (1,326)         |                                     | (40)            |
| Surplus in the scheme               |                                     | 356             |                                     | 9               |
| Deferred tax                        |                                     | (107)           |                                     | (2)             |
| Net pension asset                   |                                     | 249             |                                     | 7               |

### 5. Investment income

|  | 2001<br>£m | 2000<br>£m |
|--|------------|------------|
| Dividends from current asset equity investments    | 1          | 1          |
| Interest from other current asset investments      | 59         | 53         |
| Profit on sale of current asset equity investments | 6          | 7          |
|  | 66         | 61         |

### 6. Interest payable

|                           | 2001<br>£m | 2000<br>£m |
|---------------------------|------------|------------|
| Bank loans and overdrafts | 1          | 2          |
| Other loans               | 23         | 24         |
|                           | 24         | 26         |

### 7. Tax on profit on ordinary activities

|  | 2001<br>£m | 2000<br>£m |
|--|------------|------------|
| The charge for the year is as follows:   |            |            |
| UK – corporation tax at 30% (2000 – 30%) | 76         | 80         |
| Overseas – income and corporation tax    | 28         | 29         |
| Joint ventures and associates            | 2          | 2          |
|  | 106        | 111        |

8. Dividends

|   | 2001      | 2000      |
|---|-----------|-----------|
|   | £m        | £m        |
| First interim dividend of 4.25p per share (2000 – 4.25p)  | 34        | 34        |
| Second interim dividend of 7.55p per share (2000 – 7.00p) | 59        | 55        |
|   | <b>93</b> | <b>89</b> |

The first interim dividend was paid on 31 August 2001. The second interim dividend will be paid on 18 February 2002.

9. Earnings per ordinary share

|  | 2001          | 2000         |
|--|---------------|--------------|
|  | £m            | £m           |
| Adjusted profit for the financial year                     | 279           | 261          |
| Profits less losses on sale of properties                  | 20            | 8            |
| Exceptional items  | (45)          | (125)        |
| Amortisation of goodwill                                   | (11)          | (6)          |
| Profit for the financial year attributable to shareholders | <b>243</b>    | <b>138</b>   |
| Adjusted earnings per ordinary share                       | <b>35.4p</b>  | <b>33.1p</b> |
| Earnings per ordinary share on:                            |               |              |
| sale of properties   | <b>2.5p</b>   | 1.0p         |
| exceptional items  | <b>(5.7)p</b> | (15.8)p      |
| amortisation of goodwill                                   | <b>(1.4)p</b> | (0.8)p       |
| Earnings per ordinary share                                | <b>30.8p</b>  | <b>17.5p</b> |

The weighted average number of ordinary shares in issue during the year was 789 million (2000 – 789 million).

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.

Adjusted earnings per ordinary share, which exclude the impact of profits less losses on the disposal of properties, exceptional items and goodwill amortisation, is shown to provide clarity to the underlying performance of the group.

The diluted earnings per share calculation takes into account the dilutive effect of share options. The diluted, weighted average number of shares is 789 million (2000 – 789 million).

10. Intangible fixed assets – goodwill

|   | £m         |
|---|------------|
| Cost at 16 September 2000                                       | 162        |
| Effect of currency changes                                      | (3)        |
| Goodwill arising on acquisitions                                | 105        |
| Disposals   | (1)        |
| Cost at 15 September 2001                                       | <b>263</b> |
| Amortisation at 16 September 2000                               | 11         |
| Provided during year (including £62 million exceptional charge) | 73         |
| Amortisation at 15 September 2001                               | <b>84</b>  |
| Net book value at 15 September 2001                             | <b>179</b> |
| Net book value at 16 September 2000                             | 151        |

## notes forming part of the financial statements continued

### 11. Tangible fixed assets

|  | Land<br>and<br>buildings<br>£m | Plant<br>and<br>machinery<br>£m | Fixtures<br>and<br>fittings<br>£m | Payments<br>on<br>account<br>£m | Total<br>£m  |
|--|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|--------------|
| Cost at 16 September 2000                  | 705                            | 1,802                           | 220                               | 44                              | 2,771        |
| Effect of currency changes                 | (11)                           | (37)                            | -                                 | (2)                             | (50)         |
| Businesses acquired                        | 6                              | 9                               | 1                                 | 1                               | 17           |
| Businesses disposed                        | (21)                           | (162)                           | (14)                              | (2)                             | (199)        |
| Additions                                  | 48                             | 127                             | 44                                | (5)                             | 214          |
| Disposals                                  | (16)                           | (174)                           | (11)                              | -                               | (201)        |
| <b>Cost at 15 September 2001</b>           | <b>711</b>                     | <b>1,565</b>                    | <b>240</b>                        | <b>36</b>                       | <b>2,552</b> |
| Depreciation at 16 September 2000          | 161                            | 1,035                           | 116                               | -                               | 1,312        |
| Effect of currency changes                 | (2)                            | (21)                            | -                                 | -                               | (23)         |
| Provided during year                       | 13                             | 118                             | 18                                | -                               | 149          |
| Businesses disposed                        | (4)                            | (95)                            | (7)                               | -                               | (106)        |
| On disposals                               | (3)                            | (163)                           | (11)                              | -                               | (177)        |
| <b>Depreciation at 15 September 2001</b>   | <b>165</b>                     | <b>874</b>                      | <b>116</b>                        | <b>-</b>                        | <b>1,155</b> |
| <b>Net book value at 15 September 2001</b> | <b>546</b>                     | <b>691</b>                      | <b>124</b>                        | <b>36</b>                       | <b>1,397</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> |

|  | <b>2001</b> | 2000 |
|--|-------------|------|
|  | <b>£m</b>   | £m   |
| Analysis of land and buildings at net book value |             |      |
| Freehold   | <b>460</b>  | 466  |
| Long leasehold                                   | <b>46</b>   | 48   |
| Short leasehold                                  | <b>40</b>   | 30   |
|  | <b>546</b>  | 544  |

The book value of land not amortised in the financial statements was £64 million (2000 – £69 million).

### 12. Capital commitments

There are commitments for capital expenditure by the group of approximately £37 million (2000 – £27 million) for which no provision has been made in these financial statements.

### 13. Fixed asset investments

|                            | Joint ventures<br>£m | Associates<br>£m | Other investments<br>£m | Own shares<br>£m | Total<br>£m |
|----------------------------|----------------------|------------------|-------------------------|------------------|-------------|
| At 16 September 2000       | 12                   | 11               | 4                       | 10               | 37          |
| Effect of currency changes | -                    | (2)              | -                       | -                | (2)         |
| Additions                  | -                    | -                | 1                       | -                | 1           |
| Disposals                  | (2)                  | -                | (3)                     | -                | (5)         |
| At 15 September 2001       | <b>10</b>            | <b>9</b>         | <b>2</b>                | <b>10</b>        | <b>31</b>   |

Details of the principal joint ventures, associates and other investments are given on page 70. Interests in the net assets of joint ventures include the group's share of their gross assets of £18 million (2000 – £20 million) and the group's share of their gross liabilities of £8 million (2000 – £8 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 15 September 2001 the Scheme held 2,765,753 (2000 – 2,765,753) 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 £12 million (2000 – £9 million). The Scheme has waived its right to dividends.

At 15 September 2001 there were options outstanding over 2,459,788 (2000 – 2,820,000) ordinary shares under the 1994 Share Option Scheme and over 947,000 (2000 – nil) ordinary shares under the Executive Share Option Scheme.

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

### 14. Stocks

|                                     | 2001<br>£m | 2000<br>£m |
|-------------------------------------|------------|------------|
| Raw materials and consumables       | 174        | 188        |
| Finished goods and goods for resale | 295        | 308        |
|                                     | <b>469</b> | <b>496</b> |

### 15. Debtors

|  | Company      |              | Group      |            |
|--|--------------|--------------|------------|------------|
|  | 2001<br>£m   | 2000<br>£m   | 2001<br>£m | 2000<br>£m |
| Trade debtors                                | -            | -            | 423        | 439        |
| Amounts owed by subsidiary undertakings      | 1,643        | 1,290        | -          | -          |
| Other debtors                                | 13           | 2            | 71         | 46         |
| Prepayments and accrued income               | 1            | 1            | 55         | 41         |
| Tax recoverable from subsidiary undertakings | -            | 17           | -          | -          |
|  | <b>1,657</b> | <b>1,310</b> | <b>549</b> | <b>526</b> |

Other debtors of the group at 15 September 2001 include £6 million (2000 – £nil) receivable after more than one year.

## notes forming part of the financial statements continued

### 16. Current asset investments

|                                       | Company    |            | Group      |            |
|---------------------------------------|------------|------------|------------|------------|
|                                       | 2001<br>£m | 2000<br>£m | 2001<br>£m | 2000<br>£m |
| Listed on a recognised stock exchange |            |            |            |            |
| – equity investments                  | –          | 1          | 4          | 15         |
| – other listed investments            | –          | –          | 41         | 32         |
| Unlisted investments                  | 227        | 194        | 1,150      | 1,086      |
|                                       | 227        | 195        | 1,195      | 1,133      |

The market value of the group's listed equity investments was £4 million (2000 – £21 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £nil (2000 – £1 million) quoted on overseas stock exchanges.

### 17. Loans and short-term borrowings

|  | Group      |            |
|--|------------|------------|
|  | 2001<br>£m | 2000<br>£m |
| <b>Bank loans and overdrafts</b>                   | 32         | 17         |
| <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          | 4          |
| Secured loans                                      | 46         | 35         |
| <b>Wholly or partly repayable after five years</b> |            |            |
| 10¼% redeemable debenture stock 2013 (secured)     | 150        | 150        |
| Other unsecured loans                              | –          | 4          |
|  | 239        | 217        |
| <b>Creditor analysis</b>                           |            |            |
| Repayable:   |            |            |
| in one year or less – bank loans and overdrafts    | 32         | 17         |
| – other loans                                      | 50         | 40         |
|  | 82         | 57         |
| beyond one year – between one and two years        | 2          | 5          |
| – between two and five years                       | 5          | 1          |
| – in more than five years                          | 150        | 154        |
|  | 157        | 160        |

Bank loans and overdrafts include £5 million (2000 – £1 million) 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.

18. Creditors

|  | Company      |              | Group      |            |
|--|--------------|--------------|------------|------------|
|  | 2001<br>£m   | 2000<br>£m   | 2001<br>£m | 2000<br>£m |
| <b>Amounts falling due within one year</b> |              |              |            |            |
| Trade creditors                            | -            | -            | 255        | 243        |
| Taxation on profits                        | 4            | 11           | 107        | 137        |
| Other taxation and social security         | -            | -            | 14         | 15         |
| Accruals and deferred income               | 1            | 2            | 233        | 282        |
| Dividends                                  | 59           | 55           | 59         | 55         |
| Amounts owed to subsidiary undertakings    | 1,754        | 1,528        | -          | -          |
| Amounts owed to joint ventures             | 3            | 3            | 3          | 3          |
|  | <b>1,821</b> | <b>1,599</b> | <b>671</b> | <b>735</b> |
| <b>Amounts falling due after one year</b>  |              |              |            |            |
| Taxation on profits                        | -            | -            | 10         | 11         |

19. Provisions for liabilities and charges

|                                   | European Commission |            | Other<br>£m | Total<br>£m |
|-----------------------------------|---------------------|------------|-------------|-------------|
|                                   | Restructuring<br>£m | fine<br>£m |             |             |
| At 16 September 2000              | 14                  | 26         | 23          | 63          |
| Profit and loss account – charged | 9                   | -          | 11          | 20          |
| Utilised                          | (11)                | (26)       | (7)         | (44)        |
| At 15 September 2001              | <b>12</b>           | <b>-</b>   | <b>27</b>   | <b>39</b>   |

The European Commission ('EC') fine was imposed by the EC on British Sugar plc pursuant to Article 85 of the European Treaty in respect of matters which occurred between 1986 and 1990, prior to Associated British Foods plc acquiring British Sugar.

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 (2000 – £nil). The full potential liability in respect of accelerated capital allowances and other timing differences at 15 September 2001 was £86 million (2000 – £86 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.

## notes forming part of the financial statements continued

### 20. Share capital

|  | Deferred<br>shares of<br>£1 each<br>'000 | Ordinary<br>shares of<br>5 <sup>1/2</sup> p<br>each<br>'000 | Nominal<br>value<br>£m |
|--|--|---|------------------------|
| <b>Authorised</b>                          |  |   |                        |
| At 15 September 2001 and 16 September 2000 | 2,000                                    | 1,054,950   | 62                     |
| <b>Issued and fully paid</b>               |  |   |                        |
| At 15 September 2001 and 16 September 2000 | 2,000                                    | 791,674   | 47                     |

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<br>revaluation<br>reserve<br>£m | Group<br>other<br>reserves<br>£m | Group<br>profit<br>and loss<br>account<br>£m | Company<br>profit<br>and loss<br>account<br>£m |
|---|---------------------------------------|----------------------------------|--|--|
| At 16 September 2000                            | 3                                     | 173                              | 2,540  | 168  |
| Effect of currency changes                      | -                                     | -                                | (44)   | -  |
| Tax on effect of currency changes               | -                                     | -                                | 7  | -  |
| Goodwill written back on disposal of businesses | -                                     | -                                | 5  | -  |
| Profit for the year                             | -                                     | -                                | 150  | 17   |
| At 15 September 2001                            | 3                                     | 173                              | 2,658  | 185  |

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 directly to reserves as a result of acquisitions made in earlier financial periods is £527 million (2000 – £532 million).

### 22. Contingent liabilities

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

Group companies have provided guarantees in the ordinary course of business amounting to £39 million (2000 – £42 million). The contingent liabilities of the company at 15 September 2001 were £35 million (2000 – £35 million).

### 23. Leases

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

| Operating leases which expire: | Within<br>one year<br>£m | Two to<br>five years<br>£m | Over<br>five years<br>£m | Total<br>£m |
|--------------------------------|--------------------------|----------------------------|--------------------------|-------------|
| Land and buildings             | 4                        | 2                          | 19                       | 25          |
| Other                          | 1                        | 4                          | –                        | 5           |
| <b>At 15 September 2001</b>    | <b>5</b>                 | <b>6</b>                   | <b>19</b>                | <b>30</b>   |
| 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>   |

### 24. Shares in subsidiary undertakings

|  | £m         |
|--|------------|
| At 16 September 2000                       | 284        |
| Transfers to other subsidiary undertakings | (139)      |
| <b>At 15 September 2001</b>                | <b>145</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 70. None of the companies shown is a direct subsidiary undertaking of Associated British Foods plc.

The entire share capital of the companies listed is 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

|   | 2001<br>£m | 2000<br>£m |
|---|------------|------------|
| Operating profit                          | 271        | 197        |
| Amortisation of goodwill                  | 73         | 6          |
| Impairment of fixed assets                | –          | 32         |
| Depreciation                              | 149        | 206        |
| (Increase)/decrease in working capital    |            |            |
| – stocks                                  | 8          | (28)       |
| – debtors                                 | (31)       | (25)       |
| – creditors                               | (16)       | 44         |
| European Commission fine                  | (27)       | –          |
| Other provisions                          | –          | 13         |
| <b>Net cash from operating activities</b> | <b>427</b> | <b>445</b> |

The depreciation of £206 million in 2000 included £53 million relating to the exceptional charge following the review of the group's manufacturing operations.

A cash outflow of £12 million arose during the year in respect of the exceptional charge in 2000.

## notes forming part of the financial statements continued

### 26. Acquisitions and disposals

|                                       | Acquisitions |            | Disposals  |            |
|---------------------------------------|--------------|------------|------------|------------|
|                                       | 2001<br>£m   | 2000<br>£m | 2001<br>£m | 2000<br>£m |
| <b>Net assets</b>                     |              |            |            |            |
| Goodwill                              | -            | -          | 1          | -          |
| Tangible fixed assets                 | 17           | 26         | 93         | 42         |
| Joint ventures                        | -            | -          | 2          | -          |
| Fixed asset investments               | -            | -          | 3          | -          |
| Stocks                                | 23           | 12         | 34         | 9          |
| Debtors                               | 8            | 9          | 38         | 5          |
| Cash at bank and in hand              | 4            | 3          | -          | -          |
| Creditors                             | (12)         | (7)        | (31)       | (4)        |
| Bank overdrafts                       | -            | -          | (1)        | -          |
| Loans and finance leases              | (17)         | -          | -          | -          |
| Minority interests                    | (3)          | -          | -          | -          |
| Net assets acquired/disposed          | 20           | 43         | 139        | 52         |
| Goodwill on acquisitions/written back | 105          | 33         | 5          | 2          |
| Provisions made                       | -            | -          | 3          | -          |
| Profit on sale                        | -            | -          | 17         | -          |
| <b>Total consideration</b>            | <b>125</b>   | <b>76</b>  | <b>164</b> | <b>54</b>  |
| <b>Satisfied by</b>                   |              |            |            |            |
| Cash                                  | 125          | 76         | 141        | 54         |
| Debtors/deferred consideration        | -            | -          | 23         | -          |
| <b>Net cash</b>                       |              |            |            |            |
| Cash consideration                    | 125          | 76         | 141        | 54         |
| Cash and overdrafts acquired/disposed | (4)          | (3)        | 1          | -          |
|                                       | <b>121</b>   | <b>73</b>  | <b>142</b> | <b>54</b>  |

There have been no material fair value adjustments on acquisitions.

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

### 27. Reconciliation of net cash flow to movement in net funds

|   | 2001<br>£m | 2000<br>£m |
|---|------------|------------|
| Increase in cash                              | 32         | 13         |
| Management of liquid resources                | 76         | 104        |
| Net increase in borrowings                    | (6)        | (1)        |
| Change in net funds resulting from cash flows | 102        | 116        |
| Effect of currency changes                    | (5)        | (2)        |
| On acquisition of subsidiary undertakings     | (17)       | -          |
| Other   | (10)       | (4)        |
| Movement in net funds                         | 70         | 110        |
| Opening net funds                             | 981        | 871        |
| Closing net funds                             | 1,051      | 981        |

28. Analysis of net funds

|                          | At<br>16 September<br>2000<br>£m | Cash<br>flow<br>£m | Acquisition<br>of<br>subsidiary<br>undertakings<br>£m | Exchange<br>adjustments<br>£m | Other<br>non-cash<br>changes<br>£m | At<br>15 September<br>2001<br>£m |
|--------------------------|----------------------------------|--------------------|---|-------------------------------|------------------------------------|----------------------------------|
| Cash at bank and in hand | 65                               | 32                 | -   | (2)                           | -                                  | 95                               |
| Short-term borrowings    | (57)                             | (14)               | (12)  | 1                             | -                                  | (82)                             |
| Investments              | 1,133                            | 76                 | -   | (4)                           | (10)                               | 1,195                            |
| Loans over one year      | (160)                            | 8                  | (5)   | -                             | -                                  | (157)                            |
|                          | 981                              | 102                | (17)  | (5)                           | (10)                               | 1,051                            |

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<br>assets<br>on which<br>no interest<br>is received<br>£m | Floating<br>rate<br>financial<br>assets<br>£m | Fixed<br>rate<br>financial<br>assets<br>£m | Total<br>£m | Fixed rate<br>financial assets<br>Weighted<br>average<br>interest<br>rate<br>% | Weighted<br>average<br>period for<br>which rate<br>is fixed<br>Months |
|----------------------|---|---|--|-------------|--|---|
| <b>Currency</b>      |   |   |  |             |  |   |
| Sterling             | 5   | 1,085   | 28   | 1,118       | 5.2  | 46  |
| Australian dollar    | 1   | 35  | -  | 36          | -  | -   |
| US dollar            | -   | 23  | -  | 23          | -  | -   |
| Euro                 | -   | 72  | 9  | 81          | 3.7  | 78  |
| Other                | -   | 34  | -  | 34          | -  | -   |
| At 15 September 2001 | 6   | 1,249   | 37   | 1,292       | 4.8  | 53  |
| <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 | 19  | 1,137   | 46   | 1,202       | 5.9  | 39  |

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:

| Currency             | Floating rate financial liabilities<br>£m | Fixed rate financial liabilities<br>£m | Total<br>£m | Fixed rate financial liabilities    |   |
|----------------------|---|--|-------------|-------------------------------------|---|
|                      |   |  |             | Weighted average interest rate<br>% | Weighted average period for which rate is fixed<br>Months |
| Sterling             | 18  | 157                                    | 175         | 10.6                                | 134   |
| Euro                 | 16  | -                                      | 16          | -                                   | -   |
| Other                | 47  | 1                                      | 48          | 3.0                                 | 15  |
| At 15 September 2001 | <b>81</b>                                 | <b>158</b>                             | <b>239</b>  | <b>10.5</b>                         | <b>134</b>  |

|                      |           |            |            |             |            |
|----------------------|-----------|------------|------------|-------------|------------|
| Sterling             | 14        | 157        | 171        | 10.6        | 146        |
| US dollar            | 1         | 4          | 5          | 8.2         | 160        |
| Euro                 | 1         | -          | 1          | -           | -          |
| Other                | 34        | 6          | 40         | 6.8         | 27         |
| At 16 September 2000 | <b>50</b> | <b>167</b> | <b>217</b> | <b>10.4</b> | <b>143</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)

| Currency             | Functional currency of group operation |            |             |             |
|----------------------|--|------------|-------------|-------------|
|                      | Sterling<br>£m                         | Euro<br>£m | Other<br>£m | Total<br>£m |
| Sterling             | -                                      | (4)        | (1)         | (5)         |
| US dollar            | 2                                      | -          | 12          | 14          |
| Euro                 | 47                                     | -          | -           | 47          |
| Other                | 1                                      | (3)        | -           | (2)         |
| At 15 September 2001 | <b>50</b>                              | <b>(7)</b> | <b>11</b>   | <b>54</b>   |
| Sterling             | -                                      | 10         | -           | 10          |
| US dollar            | 8                                      | 1          | 4           | 13          |
| Euro                 | 79                                     | -          | (2)         | 77          |
| Other                | 32                                     | (1)        | -           | 31          |
| At 16 September 2000 | <b>119</b>                             | <b>10</b>  | <b>2</b>    | <b>131</b>  |

29. Financial instruments continued

**Borrowing facilities**

The group has various borrowing facilities available to it. The undrawn committed facilities available at 15 September 2001 in respect of which all conditions precedent have been met, were as follows:

|                                    | 2001<br>£m | 2000<br>£m |
|------------------------------------|------------|------------|
| Expiring within one year           | 20         | 19         |
| Expiring between one and two years | -          | -          |
| Expiring thereafter                | -          | -          |
|                                    | <b>20</b>  | <b>19</b>  |

**Fair value**

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

|  | 2001                     |                               | 2000                     |                               |
|--|--------------------------|-------------------------------|--------------------------|-------------------------------|
|  | Carrying<br>amount<br>£m | Estimated<br>fair value<br>£m | Carrying<br>amount<br>£m | Estimated<br>fair value<br>£m |
| <b>Primary financial instruments held or issued to finance the group's operations</b>  |                          |                               |                          |                               |
| Cash   | 95                       | 95                            | 65                       | 65                            |
| Fixed asset investments  | 2                        | 2                             | 4                        | 3                             |
| Current asset investments  | 1,195                    | 1,209                         | 1,133                    | 1,149                         |
| Loans due within one year  | (82)                     | (82)                          | (57)                     | (57)                          |
| Loans due after one year   | (157)                    | (207)                         | (160)                    | (205)                         |
| <b>Derivative financial instruments held to manage currency and commodity exposure</b> |                          |                               |                          |                               |
| Forward foreign exchange contracts   | -                        | -                             | -                        | 1                             |
| Currency options   | -                        | (2)                           | -                        | 10                            |

The values of the group's current asset investments and loans due after one year are their market values.

The values of foreign exchange contracts and currency options are the estimated amounts which the group would expect to pay or receive on the termination of these contracts.

**Unrecognised gains and losses on hedges**

|   | Gains<br>£m | Losses<br>£m | Net gains/<br>(losses)<br>£m |
|---|-------------|--------------|------------------------------|
| At 16 September 2000  | 11          | -            | 11                           |
| Arising in previous years and recognised during the year            | (11)        | -            | (11)                         |
| Arising before 16 September 2000 and not recognised during the year | -           | -            | -                            |
| Arising in the year and not recognised during the year              | 2           | (4)          | (2)                          |
| At 15 September 2001  | <b>2</b>    | <b>(4)</b>   | <b>(2)</b>                   |
| Expected to be recognised   |             |              |                              |
| In one year or less   | 2           | (4)          | (2)                          |
| In later years  | -           | -            | -                            |
|   | <b>2</b>    | <b>(4)</b>   | <b>(2)</b>                   |

## notes forming part of the financial statements continued

### 29. Financial instruments continued

#### Unrecognised gains and losses on hedges

|   | Gains<br>£m | Losses<br>£m | Net gains/<br>(losses)<br>£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                           |

### 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 15 September 2001 Wittington Investments Limited together with its subsidiary undertaking, Howard Investments Limited, held 431,515,108 ordinary shares (2000 – 431,515,108) representing in aggregate 54.5% (2000 – 54.5%) 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<br>note | 2001<br>£'000 | 2000<br>£'000 |
|--|-------------|---------------|---------------|
| Management charge from Wittington Investments Limited, principally in respect of directors and secretarial staff of ABF paid by Wittington | 1           | 186           | 450           |
| Charges to Wittington Investments Limited in respect of services provided by the company and its subsidiary undertakings                   | 1           | (59)          | (57)          |
| Dividends paid by ABF and received in a beneficial capacity by:  |             |               |               |
| (i) Trustees of The Garfield Weston Foundation   | 2           | 3,214         | 3,118         |
| (ii) Directors of Wittington Investments Limited who are not Trustees of the Foundation  |             | 589           | 563           |
| (iii) Directors of the company who are not Trustees of the Foundation and are not directors of Wittington Investments Limited              | 3           | 4             | 9             |
| (iv) a member of the Weston family employed within the ABF group   | 4           | 328           | 313           |

31. Related party transactions continued

|  | Sub<br>note | 2001<br>£'000 | 2000<br>£'000 |
|--|-------------|---------------|---------------|
| Sales to fellow subsidiary undertakings on normal trading terms      | 5           | 7             | 5             |
| Amounts due from fellow subsidiary undertakings                      | 5           | 1             | -             |
| Sales to joint ventures and associates on normal trading terms       | 6           | 55            | 46            |
| Purchases from joint ventures and associates on normal trading terms | 6           | 9             | 7             |
| Amounts due from joint ventures and associates                       | 6           | 6             | 6             |
| Amounts due to joint ventures and associates                         | 6           | 3             | 3             |

**Sub notes**

1. At 15 September 2001 Wittington Investments Limited together with its subsidiary undertaking, Howard Investments, held 431,515,108 ordinary shares (2000 – 431,515,108) representing in aggregate 54.5% (2000 – 54.5%) of the total issued ordinary share capital of the company.
2. 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 15 September 2001 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 15 September 2001, Trustees of the Foundation comprised four of the late W Garfield Weston's children and five of Garry H Weston's children.
3. Details of the directors are given on page 33. Their beneficial interests, including family interests, in the company and its subsidiary undertakings are given on page 39. Directors' remuneration, including share options, is disclosed on pages 36 to 38.
4. 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.
5. The fellow subsidiary undertaking is Fortnum & Mason PLC.
6. Details of the group's principal joint ventures and associates are set out on page 70.

## principal subsidiary undertakings

| Manufacturing activities                             | Country of incorporation | Manufacturing activities   | Country of incorporation        |
|--|--------------------------|--|---------------------------------|
| AB Enzymes GmbH                                      | Germany                  | Liaoning Liaohe Ai Min Feed Company Limited (55%)  | China                           |
| AB Enzymes Oy  | Finland                  | Liaoning Liaohe Yingpeng Feed Company Limited (55%)  | China                           |
| AB Ingredients Limited (95%)                         | UK                       | Nambarrie Tea Company Limited  | UK                              |
| AB Technology Limited                                | UK                       | R Twining & Co. Limited  | US                              |
| ABF Grain Products Limited                           | UK                       | R Twining & Company Limited  | UK                              |
| Abitec Corporation                                   | US                       | Seed Systems Incorporated  | US                              |
| ABNA Limited   | UK                       | Shanghai ABN – Huinong Feed Company Limited (60%)  | China                           |
| ACH Food Companies Inc                               | US                       | SPCA Barcroft SA   | France                          |
| Allied Foods Co Limited (81%)                        | New Zealand              | SPi Polyols Incorporated   | US                              |
| Allied Glass Containers Limited                      | UK                       | Sugarpol (Torun) Sp zoo (72%)  | Poland                          |
| Allied Grain Limited                                 | UK                       | The Ryvita Company Limited   | UK                              |
| Barcroft Company                                     | US                       | Weston Research Laboratories Limited   | UK                              |
| British Sugar (Overseas) Limited                     | UK                       |  |                                 |
| British Sugar plc                                    | UK                       | <b>Retailing activities</b>  |                                 |
| Carl Lange AS  | Denmark                  | Primark  | Republic of Ireland             |
| Cukrownia Glińojek SA (53%)                          | Poland                   | Primark Stores Limited   | UK                              |
| Erik Haugen AS                                       | Norway                   |  |                                 |
| Fishers Agricultural Holdings Limited                | UK                       | <b>Investment and other activities</b>   | <b>Country of incorporation</b> |
| Food Investments Limited                             | UK                       | Beauvallet Investments Limited   | Jersey, Channel Islands         |
| Foods International SA                               | France                   | Eastbow Securities Limited   | UK                              |
| George Weston Foods Limited (81%)                    | Australia                | Serpentine Securities Limited  | UK                              |
| Germain's (Ireland) Limited                          | Republic of Ireland      | Soublier Investments Limited   | Jersey, Channel Islands         |
| Germain's Sp zoo (65%)                               | Poland                   | Talisman (Guernsey) Limited  | Guernsey, Channel Islands       |
| Grosvenor Marketing Limited                          | US                       |  |                                 |
| Guangxi Bo Hua Food Company (71%)                    | China                    | Group interest is 100% except where indicated.   |                                 |
| Guangxi Boqing Food Co. Limited (60%)                | China                    | British Sugar (Overseas) Limited operates subsidiary undertakings and joint ventures in Europe and Asia. Other than this company, each subsidiary undertaking operates mainly in its country of incorporation. |                                 |
| Henan Lianhua – BSO Pharmaceutical Co. Limited (57%) | China                    |  |                                 |
| Jacksons of Piccadilly Limited                       | UK                       |  |                                 |
| Jordan's (NI) Limited                                | UK                       |  |                                 |

## investments

| Principal joint ventures and associates | Country of incorporation | Issued ordinary share capital |         |
|---|--------------------------|-------------------------------|---------|
|   |                          | Total                         | Group % |
| C Czarnikow Sugar Limited               | UK                       | £1,000,000                    | 42      |
| Getec Guanabara Quimica Industrial SA   | Brazil                   | BRR14,254,370                 | 20      |
| Harper-Love Adhesives Corporation       | US                       | US\$12,200                    | 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  | 1997<br>£m   | 1998<br>£m   | 1999<br>£m   | 2000<br>£m   | 2001<br>£m   |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Turnover</b>   |              |              |              |              |              |
| Continuing operations   | 4,437        | 4,195        | 4,299        | 4,406        | <b>4,418</b> |
| Discontinued operations   | 766          | -            | -            | -            | -            |
|   | <b>5,203</b> | <b>4,195</b> | <b>4,299</b> | <b>4,406</b> | <b>4,418</b> |
| <b>Operating profit before exceptional items<br/>and amortisation of goodwill</b> |              |              |              |              |              |
| Continuing operations   | 342          | 316          | 326          | 340          | <b>351</b>   |
| Discontinued operations   | 28           | -            | -            | -            | -            |
|   | <b>370</b>   | <b>316</b>   | <b>326</b>   | <b>340</b>   | <b>351</b>   |
| Exceptional items   | -            | (19)         | (84)         | (130)        | -            |
| Amortisation of goodwill  | -            | -            | (5)          | (6)          | <b>(73)</b>  |
| Profit less losses on sale of properties  | 6            | (3)          | 4            | 8            | <b>20</b>    |
| Profit less losses on sale or termination<br>of businesses                        | 424          | -            | -            | -            | <b>17</b>    |
| Investment income   | 72           | 119          | 84           | 61           | <b>66</b>    |
| Profit on ordinary activities before interest                                     | 872          | 413          | 325          | 273          | <b>381</b>   |
| Interest payable  | (22)         | (22)         | (25)         | (26)         | <b>(24)</b>  |
| Profit on ordinary activities before taxation                                     | 850          | 391          | 300          | 247          | <b>357</b>   |
| Tax on profit on ordinary activities  | (161)        | (124)        | (115)        | (111)        | <b>(106)</b> |
| Profit on ordinary activities after taxation                                      | 689          | 267          | 185          | 136          | <b>251</b>   |
| Minority interests  | (8)          | (2)          | (1)          | 2            | <b>(8)</b>   |
| Profit for the financial year   | 681          | 265          | 184          | 138          | <b>243</b>   |
| Earnings per share  | 75.6p        | 29.6p        | 21.4p        | 17.5p        | <b>30.8p</b> |
| Adjusted earnings per share   | 31.7p        | 32.0p        | 31.3p        | 33.1p        | <b>35.4p</b> |

# notice of meeting

Notice is hereby given that the sixty-sixth annual general meeting of the company will be held at The Royal Garden Hotel, 2-24 Kensington High Street, London W8 4PT on Friday 7 December 2001 at 11.00 am to transact the following business:

## Ordinary business

### **Resolution 1**

To receive the accounts and the reports of the directors and the auditors thereon for the period ended 15 September 2001.

### **Resolution 2**

To re-elect WGG Weston as a director.

### **Resolution 3**

To re-elect Professor Sir R Smith as a director.

### **Resolution 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.

## Special business

To propose, and if thought fit, to pass the following resolution as an ordinary resolution:

### **Resolution 5**

That the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (as defined in Section 80(2) of that Act) up to a maximum of 263 million ordinary shares of 5<sup>19</sup>/<sub>22</sub>p each provided that this authority shall expire on the 6 December 2006, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

To propose the following resolution as a special resolution:

### **Resolution 6**

That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) of that Act) for cash pursuant to the authority conferred by Resolution 5 above as if Section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

- (i) 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 may 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 fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate of 39 million ordinary shares of 5<sup>15/22p</sup> each;

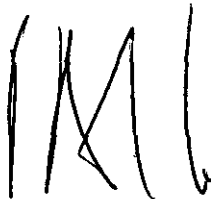
and shall expire upon the date of the next annual general meeting of the company after the passing of this resolution or 31 December 2002, whichever is sooner, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

By order of the board

**Paul Lister**

Secretary

Weston Centre, Bowater House,  
68 Knightsbridge, London SW1X 7LQ



Registered in England and Wales  
Company No. 00293262

6 November 2001

## notes

### 1. Resolutions number 2 and 3

In accordance with the Articles of Association, all directors who held office at the time of the two preceding annual general meetings, and who did not put themselves forward for re-election should do so. The Combined Code of best practice recommends that all directors should be required to submit themselves for re-election at least once every three years.

Professor Sir R Smith is 73 years old. It is felt appropriate that he should be re-elected as a director in view of his wealth of experience in corporate affairs.

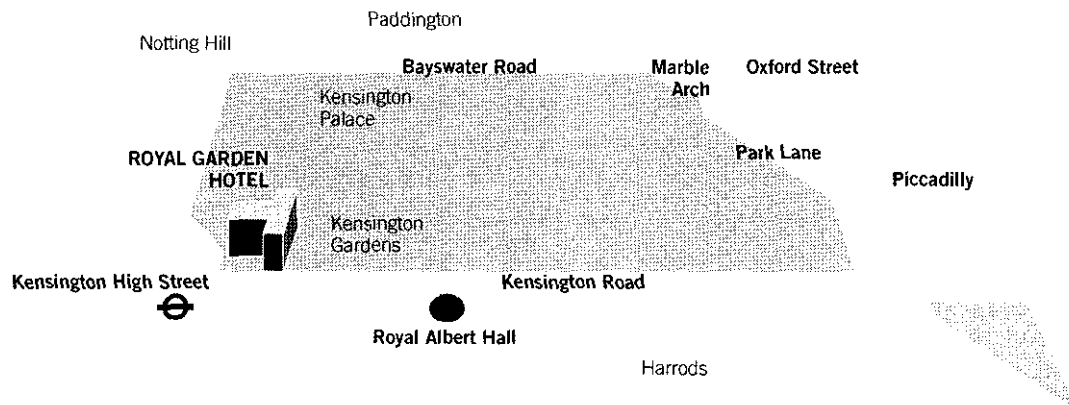
### 2. Resolutions number 5 and 6

The Companies Act 1985 prevents directors allotting unissued shares without the authority of shareholders in general meeting. At the annual general meeting held in December 2000 shareholders gave the directors a general authority to allot shares up to a limit not exceeding one third of the shares in issue. The authority is valid for the maximum period of five years as permitted by the Companies Act and expires in December 2005. The directors, however, propose to renew this authority every year asking, on each occasion, for the authority to be granted for a further period of five years. Resolution number 5 will authorise the directors to allot substantially all of the present unissued ordinary share capital, which represents approximately 25% of the company's authorised share capital, at any time within the next five years. The proposed renewal of the authority should not be taken as an indication that the directors have any current plans to make an issue of shares.

Where shares are allotted pursuant to a general authority as provided in resolution number 5 and shareholders are required to pay for them in cash, that allotment is subject to Section 89 of the Companies Act, which requires new shares to be offered first to existing shareholders in proportion to their existing holdings. There may, however, be circumstances where directors wish to allot shares for cash other than by way of rights issue, open offer or other offer of securities and this cannot be done unless shareholders have first waived their pre-emption rights. Resolution number 6 asks shareholders to do this by allowing the directors to allot for cash (i) by way of a rights issue, open offer or other offer of securities to all shareholders (subject to certain exclusions) and (ii) up to 5% of the company's present issued ordinary share capital to persons other than existing shareholders. By setting the 5% limit, interests of existing shareholders are protected, as their interest in the company cannot, without their agreement, be reduced by more than 5% by the issue of new shares to new shareholders.

3. The company, pursuant to Section 34 of the Uncertified Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company at 6.00 pm on Wednesday 5 December 2001 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 6.00 pm on Wednesday 5 December 2001 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 may appoint a proxy (who need not be a member of the company) to attend and, on a poll, to vote in his/her place. The instrument appointing a proxy should be deposited at the company's registered office not later than 11.00 am on Wednesday 5 December 2001.
5. 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.
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 Royal Garden Hotel 15 minutes prior to and during the meeting.

## directions to the royal garden hotel



**Shareholders intending to attend the annual general meeting on 7 December 2001 are asked to take note of the change of venue this year.**

Shareholders are asked to use the Palace Suite entrance from the forecourt. Those requiring the lift should descend to the Palace Suite from the main hotel reception.

The hotel is three minutes' walk from Kensington High Street Underground Station.

## company directory

Associated British Foods plc  
Registered office

Weston Centre  
Bowater House  
68 Knightsbridge  
London SW1X 7LQ

Company registered in England, number 293262

Secretary

Paul Lister

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 Bank plc  
The Royal Bank of Scotland plc

Timetable

|                                 |                             |
|---------------------------------|-----------------------------|
| First interim dividend          | paid 31 August 2001         |
| Second interim dividend         | to be paid 18 February 2002 |
| Annual general meeting          | 7 December 2001             |
| Interim results to be announced | April 2002                  |

Internet site

<http://www.abf.co.uk>