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ABF INVESTMENTS plc

ANNUAL REPORT AND ACCOUNTS 2000



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Annual Report and Accounts 2000

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Directors and advisors

Directors	Harold W Bailey <i>Chairman</i> Garry H Weston Trevor HM Shaw (resigned 31 May 2000) Peter J Jackson John G Bason Lee Rendall (resigned 26 July 2000) Peter A Russell (appointed 27 July 2000)
Secretary	W B Wright (resigned 14 July 2000) Jessica Foster (appointed 14 July 2000)
Registered office	Weston Centre Bowater House 68 Knightsbridge London SW1X 7LQ Company registered in England, number 306672
Auditors	KPMG Audit Plc Chartered Accountants
Bankers	Bank of Scotland Barclays Bank plc Lloyds TSB plc The Royal Bank of Scotland plc

Directors' report

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

PROFITS AND DIVIDENDS

The group profit and loss account is on page 12. Profit for the financial year amounted to £127 million and the dividends to £90 million. Dividends are detailed in note 8 on page 21.

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 year and on the future outlook are given below.

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.

DEVELOPMENT AND FUTURE OUTLOOK

The directors are pleased to be able to report that before exceptional charges and amortisation of goodwill, group profit at the operating level has once again recorded positive growth at £331 million compared with £317 million in 1999, an increase of 4 per cent over last year.

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

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

During the year we have undertaken a rigorous review of the group's operations. As a result, exceptional items totalling £130 million, of which £12 million is a cash cost, have been charged against the profit for the year. These charges allow for restructuring by disposal or closure of manufacturing and processing activities in the UK, the US and the Far East. The major portion of this charge relates to the write down of redundant or over-valued fixed assets. Completion of the restructuring programme will result in improved profitability and the release of surplus capital.

We have continued with our conservative treatment of charges for ongoing reorganisation and closure. During the year we absorbed against operating profits an additional £26 million in respect of closures and redundancies in our existing businesses in the drive for improved efficiencies.

Following the payment of the special dividend in May 1999, investment income was budgeted at a lower level in the current year. In the event, investment income of £68 million, although lower than the previous year by some £16 million, was ahead of our budgets despite the additional impact of lower average interest rates.

Group profit before tax, after the charge for exceptional items, was £229 million. At the post-tax level, earnings per share declined from 38.0p to 28.2p but, adjusting for exceptional items and amortisation of goodwill, decreased by 1 per cent to 57.3p.

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

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

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

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

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

There was a welcome improvement in the contribution from our Australasian companies driven by significantly improved profits in milling and baking and a contraction in the level of spend on new IT systems.

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

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

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

We are taking major steps to improve the focus of our traditional businesses. We are giving equally urgent attention to the development of newer, less commoditised, technologies in the provision of food and healthcare ingredients. We have increased the pace of our investment in these sectors and the rate of development will be accelerated by acquisitions. These will be targeted in areas which will bring wider but related formulation and process skills, significant market presence and able management.

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

POST BALANCE SHEET EVENTS

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

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

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

TREASURY POLICY AND CONTROLS

The group's cash and current asset investments totalled £992 million at the year end including some £800 million placed with professional investment managers who have full discretion to act within closely monitored and agreed guidelines.

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

The group's UK working cash balances are managed by a central treasury department operating under strictly controlled guidelines, which also arranges bank finance, as and when necessary, to finance short-term working capital requirements particularly for the sugar beet and wheat harvests.

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

FOREIGN CURRENCY

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

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

RESEARCH AND DEVELOPMENT

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

The group has major technical centres in the UK at Weston Research Laboratories, British Sugar, and the animal feed Central Laboratories. Facilities also exist at ACH Food Companies in the US, Weston Technologies in Australia and Röhm Enzyme 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.

UNITED KINGDOM CHARITABLE AND POLITICAL CONTRIBUTIONS

Contributions to charitable organisations by the group during the year totalled £0.3 million (1999 - £0.3 million). No political contributions were made during the year (1999 - Nil).

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.

ABF Investments 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 14 November 2000 appear on page 2.

Peter A Russell was appointed to the board on 27 July 2000. In accordance with the Articles of Association, this director now retires and, being eligible, offers himself for re-election.

In accordance with the Articles of Association, Garry H Weston retires from the board by rotation but will not seek re-election, *and will retire at the conclusion of the annual general meeting. Other than as disclosed in the financial statements, at no time during the year has any director had any material interest in a contract with the company, being a contract of significance to either party.*

Directors' remuneration report

Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. Under the terms of the group's existing arrangements:

i) performance-related bonuses are not awarded, other than in exceptional circumstances, except that Peter J Jackson is entitled to an award in the event that the quoted mid-market share price of the ordinary shares of Associated British Foods plc reach a pre determined target.

ii) subject to the rules of the company's Share Option Scheme, Peter J Jackson and John G Bason are both entitled to receive an allocation of share options for each of the five years and three years respectively, commencing December 1999.

The group 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 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 or fees	Benefits	2000 Total	1999 Total
	£'000	£'000	£'000	£'000
Garry H Weston	212	7	219	399
Harold W Bailey	160	7	167	118
Peter J Jackson	374	16	390	302
Trevor HM Shaw (resigned 31 May 2000)	125	16	141	197
John G Bason	289	12	301	108
Peter A Russell (appointed 27 July 2000)	16	-	16	-
Lee Rendall (resigned 26 July 2000)	83	4	87	2
	<u>1,259</u>	<u>62</u>	<u>1,321</u>	<u>1,126</u>

* Remuneration reflects details for the year or, if later, since the date of appointment as a director within the Associated British Foods group.

Directors' remuneration report continued

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

Pension benefits earned by the directors (1):

	Age at year end	Normal retirement age	Directors' contributions in the year (2)		Increase in accrued pension entitlement during the year (3)		Accumulated total accrued pension at year end (4)	
			2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Peter J Jackson	53	60	-	-	29	13	150	121
John G Bason	43	62	14	5	-	-	-	-
Peter A Russell	43	65	1	-	-	-	-	-

(1) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, or date of retirement if earlier.

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

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

(4) John G Bason and Peter A Russell are accruing pensions but do not have an entitlement to that pension until they have completed two years' service with the company.

Dependants' pensions - A 50% pension is payable on death or after retirement. In respect of Peter J Jackson, the spouse's pension is 66.66%.

Early retirement rights - The directors may retire before their normal retirement age, subject to a reduction for early payment.

Pension increases - Pensions are guaranteed to increase in line with the increases in RPI, restricted each year to 5%. Additional discretionary increases have been granted in the past.

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

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

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

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

Directors' beneficial interests

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

	16 September 2000	18 September 1999
Garry H Weston		
Wittington Investments Limited, ordinary shares of 50p	4,925	4,925
Associated British Foods plc, ordinary shares of 5 ¹⁵ / ₂₂ p	610,124	610,124
George Weston Foods Limited, ordinary shares of 50 cents	2,017	2,017
Harold W Bailey		
Associated British Foods plc, ordinary shares of 5 ¹⁵ / ₂₂ p	140,800	140,800
Fortnum & Mason PLC, ordinary shares of 5p	1,000	1,000
Peter J Jackson		
Associated British Foods plc, ordinary shares of 5 ¹⁵ / ₂₂ p	17,600	17,600
John G Bason		
Associated British Foods plc, ordinary shares of 5 ¹⁵ / ₂₂ p	1,500	1,500

Controlling interest

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

Non-beneficial interests

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

- 1 Garry H Weston is a trustee of a trust, in which he has no beneficial interest, which at 16 September 2000 held 683,073 ordinary shares of 50p (1999 - 683,073) in Wittington Investments Limited.
- 2 Harold W Bailey is a trustee of a trust, in which he has no beneficial interest, which at 16 September 2000 held 38,665 ordinary shares of 5¹⁵/₂₂p (1999 - 38,665) in Associated British Foods plc.
- 3 Garry H Weston is a trustee of trusts, in which he has no beneficial interest, which at 16 September 2000 held 1,358,665 ordinary shares of 5¹⁵/₂₂p (1999 - 1,358,665) in Associated British Foods plc.

Subsequent changes

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

CORPORATE GOVERNANCE

ABF Investments plc is a wholly owned subsidiary of Associated British Foods plc. With the exception of Peter Russell, the directors of ABF Investments plc at the year end are also directors of Associated British Foods plc.

Full details of Associated British Foods plc's compliance with the provisions of the Combined Code are set out in that company's accounts for the year ended 16 September 2000.

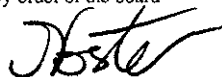
The company's affairs are controlled by Associated British Foods plc and, with the exception of a statement affirming the company as a going concern, it is not considered appropriate or necessary for the company to comply with the recommendations of the Combined Code.

The Listing Rules exempt the company from including a statement on Corporate Governance in these accounts on the basis that it only has debt securities listed.

GOING CONCERN

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

By order of the board



Jessica Foster Secretary
14 November 2000

Directors' responsibilities

in respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy and at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors' report to the members of ABF Investments plc

We have audited the financial statements on pages 11 to 35.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 10 this includes responsibility for preparing the financial statements in accordance with applicable UK law and accounting standards. Our responsibilities, as independent auditors, are established in the UK by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We 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 misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

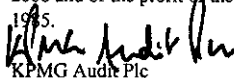
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 16 September 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act

1995.


KPMG Audit Plc

Chartered Accountants
Registered Auditor
London
14 November 2000

Consolidated profit and loss account

for the year ended 16 September 2000

	Note	2000 £m	1999 £m
Turnover of the group including its share of joint ventures		4,414	4,308
Less share of turnover of joint ventures		(8)	(9)
Group turnover	1	4,406	4,299
Operating costs	2	(4,218)	(4,075)
Group operating profit		188	224
Share of operating results of			
- joint ventures		3	2
- associates		4	2
Total operating profit	1	195	228
Operating profit before exceptional items and amortisation of goodwill	1	331	317
Exceptional items	1	(130)	(84)
Amortisation of goodwill		(6)	(5)
Profit less losses on sale of properties		8	4
Investment income	5	68	84
Profit on ordinary activities before interest		271	316
Interest payable	6	(42)	(39)
Profit on ordinary activities before taxation		229	277
Tax on profit on ordinary activities	7	(104)	(105)
Profit on ordinary activities after taxation		125	172
Minority interest before exceptional items		(3)	(1)
Minority interest share of exceptional items		5	-
Profit for the financial year		127	171
Dividends	8	(90)	(385)
Transfer to/(from) reserves	21	37	(214)
Earnings per ordinary share	9	28.2 p	38.0 p
Earnings per ordinary share before exceptional items and amortisation of goodwill	9	57.3 p	57.8 p

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

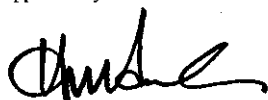
Consolidated balance sheet

as at 16 September 2000

	Note	2000 £m	1999 £m
Fixed assets			
Intangible assets - goodwill	10	151	108
Tangible assets	11	<u>1,459</u>	<u>1,528</u>
		1,610	1,636
Interest in net assets of			
- joint ventures	13	12	7
- associates	13	11	8
Other investments	13	<u>4</u>	<u>4</u>
Total fixed asset investments		27	19
		<u>1,637</u>	<u>1,655</u>
Current assets			
Stocks	14	496	464
Debtors	15	630	531
Investments	16	937	950
Cash at bank and in hand		<u>55</u>	<u>39</u>
		2,118	1,984
Creditors amounts falling due within one year			
Short term borrowings	17	(62)	(61)
Other creditors	18	<u>(658)</u>	<u>(613)</u>
		(720)	(674)
Net current assets		<u>1,398</u>	<u>1,310</u>
Total assets less current liabilities		3,035	2,965
Creditors amounts falling due after one year			
Loans	17	(160)	(157)
Other creditors	18	<u>(11)</u>	<u>(10)</u>
		(171)	(167)
Provision for liabilities and charges	19	<u>(63)</u>	<u>(50)</u>
		2,801	2,748
Capital and reserves			
Called up share capital	20	22	22
Share premium account	21	192	192
Revaluation reserve	21	3	3
Other reserves	21	1	1
Profit and loss account	21	<u>2,505</u>	<u>2,451</u>
Equity shareholders' funds		2,723	2,669
Minority interests in subsidiary undertakings - equity		<u>78</u>	<u>79</u>
		2,801	2,748

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

Harry Bailey Director



John Bason Director



Consolidated cash flow statement

for the year ended 16 September 2000

	Note	2000 £m	1999 £m
Cash flow from operating activities	25	320	256
Dividends from joint ventures		2	1
Dividends from associates		1	2
Return on investments and servicing of finance			
Dividends and other investment income		68	83
Interest paid		(42)	(38)
Dividends paid to minorities		(2)	(2)
		24	43
Taxation		(86)	(114)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(182)	(259)
Sale of tangible fixed assets		32	16
Purchase of equity investments		(7)	(1)
Sale of equity investments		17	10
		(140)	(234)
Acquisitions and disposals			
Purchase of new subsidiary undertakings	26	(73)	(153)
Purchase of joint ventures and associates		(5)	(3)
Sale of subsidiary undertakings	26	54	-
		(24)	(156)
Equity dividends paid		(90)	(385)
Net cash inflow/(outflow) before use of liquid funds and financing		7	(587)
Management of liquid funds	28	(10)	(568)
Financing	27	2	(1)
Increase/(decrease) in cash	28	15	(18)
		7	(587)

Consolidated statement of total recognised gains and losses

for the year ended 16 September 2000

	2000	1999
	£m	£m
Profit for the financial year	127	171
Currency translation differences on foreign currency net assets	15	17
Total recognised gains and losses	142	188

Consolidated statement of historical cost profits

for the year ended 16 September 2000

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

Reconciliation of movements in shareholders' funds

for the year ended 16 September 2000

	Company		Group	
	2000	1999	2000	1999
	£m	£m	£m	£m
Profit for the financial year	101	387	127	171
Dividends	(90)	(385)	(90)	(385)
Transfer to/(from) reserves	11	2	37	(214)
Goodwill written back	-	-	2	-
Other recognised gains and losses relating to the year	-	-	15	17
Net increase/(decrease) in shareholders' funds	11	2	54	(197)
Opening shareholders' funds	1,266	1,264	2,669	2,866
Closing shareholders' funds	1,277	1,266	2,723	2,669

Company balance sheet

As at 16 September 2000

	Note	2000 £m	1999 £m
Fixed assets			
Shares in subsidiary undertakings	24	979	979
Current assets			
Debtors	15	320	313
Investments	16	<u>1</u>	<u>2</u>
		<u>321</u>	<u>315</u>
Creditors amounts falling due within one year			
Loans	17	(7)	(8)
Other creditors	18	<u>(16)</u>	<u>(20)</u>
		<u>(23)</u>	<u>(28)</u>
Net current assets		<u>298</u>	<u>287</u>
		<u>1,277</u>	<u>1,266</u>
Capital and reserves			
Called up share capital	20	22	22
Share premium account	21	192	192
Profit and loss account	21	<u>1,063</u>	<u>1,052</u>
Equity shareholders' funds		<u>1,277</u>	<u>1,266</u>

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

Harry Bailey Director



John Bason Director



Accounting policies

Basis of preparation

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

Basis of consolidation

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

Acquisitions

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

Disposals

The results of subsidiary undertakings, joint ventures and associates sold are included up to the dates of change of control. The profit or loss on the disposal of an acquired business takes into account the amount of any related goodwill previously written off directly to reserves, or the net amount of goodwill remaining unamortised, as appropriate.

Intangible fixed assets

Intangible fixed assets consist of goodwill arising on acquisitions since 13 September 1998, being the excess of the fair value of the purchase consideration of new subsidiary undertakings, joint ventures and associates over the fair value of net assets acquired. Goodwill is capitalised in accordance with 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

Fixed assets are carried at their original cost less accumulated depreciation

Foreign currencies

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

Pensions

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

Research and development

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

Fixed asset investments

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

Accounting policies continued

Depreciation

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

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

Leases

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

Stocks

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

Current asset investments

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

Financial instruments

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

Deferred tax

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

Notes forming part of the financial statements

for the year ended 16 September 2000

1. Analysis of turnover, profits and net assets

	2000 £m	1999 £m
Turnover		
Geographical analysis (by origin and destination):		
European Union, mainly United Kingdom and Ireland	3,037	2,962
Australia and New Zealand	608	548
North America	627	665
Elsewhere	134	124
Group turnover	4,406	4,299
Business sector:		
Manufacturing	3,977	3,935
Retail	429	364
Group turnover	4,406	4,299
Profits		
Geographical analysis (by origin):		
European Union, mainly United Kingdom and Ireland	271	275
Australia and New Zealand	27	17
North America	27	26
Elsewhere	6	(1)
Total operating profit before exceptional items and amortisation of goodwill	331	317
Exceptional items		
- European Union	(72)	(84)
- North America	(45)	-
- Elsewhere	(13)	-
Amortisation of goodwill		
- European Union	(1)	-
- North America	(5)	(5)
Total operating profit	195	228
Business sector:		
Manufacturing	280	274
Retail	51	43
Total operating profit before exceptional items and amortisation of goodwill	331	317
Exceptional items - manufacturing	(130)	(84)
Amortisation of goodwill - manufacturing	(6)	(5)
Total operating profit	195	228
Other net income	34	49
Profit on ordinary activities before taxation	229	277

Exceptional items

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

Exceptional items in the prior year relate to an FRS 11 impairment charge in respect of fixed assets within the group's UK manufacturing activities, based on their estimated value in use, using a weighted average cost of capital of 12.5%.

Net assets

Geographical analysis (by origin):		
European Union, mainly United Kingdom and Ireland	1,308	1,320
Australia and New Zealand	250	241
North America	382	331
Elsewhere	111	115
	2,051	2,007
Business sector:		
Manufacturing	1,869	1,861
Retail	182	146
	2,051	2,007
Net financial assets	750	741
	2,801	2,748

Notes forming part of the financial statements continued

2. Operating costs

	2000 £m	1999 £m
Cost of sales (including exceptional items and amortisation of goodwill)	3,348	3,283
Distribution costs	600	568
Administration expenses	270	224
Operating costs	4,218	4,075

Operating costs are stated after charging:

Staff costs	598	593
Impairment of fixed assets	32	84
Amortisation of goodwill	6	5
Depreciation of fixed tangible assets	206	142
Hire of plant and machinery	7	6
Rentals payable under property leases	19	18
Research and development	8	7

The remuneration of the auditors in respect of audit services provided to the group during the year was £1.7 million (1999 - £1.5 million).

The remuneration of the auditors and its associates in respect of non-audit services to the company and its UK subsidiaries was £0.6 million (1999 - £0.7 million).

3. Employees

	2000	1999
Average number of employees:		
European Union, mainly United Kingdom and Ireland	21,430	22,011
Australia and New Zealand	7,578	7,147
North America	2,222	2,157
Elsewhere	3,082	3,888
	34,312	35,203
	£m	£m
Staff costs - wages and salaries	536	536
- social security costs	29	30
- other pension costs	33	27
	598	593

4. Pension costs

The group operates pension schemes, the majority of which are of the defined benefit type. The pension cost charge for the year was £33 million (1999 - £27 million).

The two main United Kingdom schemes provide benefits based on final pensionable earnings. The pension costs in the United Kingdom are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The last actuarial valuation of the British Sugar Pension Scheme was carried out 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 valuation 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 United States and the Republic of Ireland. The charge for the year is based on recommendations by qualified local actuaries.

Notes forming part of the financial statements continued

5. Investment income	2000	1999
	£m	£m
Dividends from current asset equity investments	1	2
Interest from other current asset investments	59	78
Profit on sale of current asset equity investments	8	4
	<u>68</u>	<u>84</u>
6. Interest payable	2000	1999
	£m	£m
Parent company loans	17	15
Other loans	25	24
	<u>42</u>	<u>39</u>
7. Tax on profit on ordinary activities	2000	1999
	£m	£m
The charge for the year is as follows:		
United Kingdom - corporation tax at 30.0% (1999 - 30.5%)	73	79
Overseas - income and corporation tax	29	23
- deferred tax	-	2
Joint ventures and associates	2	1
	<u>104</u>	<u>105</u>
8. Dividends	2000	1999
	£m	£m
Ordinary dividends	90	385
9. Earnings per ordinary share	2000	1999
	£m	£m
Profit for the financial year attributable to shareholders	127	171
Exceptional items after minority interest	125	84
Amortisation of goodwill	6	5
Profit for the financial year before exceptional items and amortisation of goodwill	<u>258</u>	<u>260</u>
Earnings per ordinary share	28.2 p	38.0 p
Earnings per ordinary share on exceptional items	27.8 p	18.7 p
Earnings per ordinary share on amortisation of goodwill	1.3 p	1.1 p
Earnings per ordinary share before exceptional items and amortisation of goodwill	<u>57.3 p</u>	<u>57.8 p</u>

The calculation is based on available profit for the financial year of £127 million (1999 - £171 million). The weighted average number of ordinary shares in issue during the year was 450 million (1999 - 450 million).

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

Notes forming part of the financial statements continued

10. Intangible fixed assets - goodwill

	£m
Cost at 18 September 1999	113
Effect of currency changes	16
Additions	33
Cost at 16 September 2000	162
Amortisation at 18 September 1999	5
Provided during year	6
Amortisation at 16 September 2000	11
Net book value at 16 September 2000	151
Net book value at 18 September 1999	108

11. Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Payments on account £m	Total £m
Cost at 18 September 1999	684	1,751	179	88	2,702
Effect of currency changes	8	27	-	2	37
New subsidiary undertakings	10	14	2	-	26
Disposal of subsidiary undertakings	(15)	(74)	(1)	-	(90)
Additions	32	145	51	(46)	182
Disposals	(14)	(61)	(11)	-	(86)
Cost at 16 September 2000	705	1,802	220	44	2,771
Depreciation at 18 September 1999	123	944	107	-	1,174
Effect of currency changes	1	9	-	-	10
Provided during year	44	173	21	-	238
Disposal of subsidiary undertakings	(3)	(44)	(1)	-	(48)
On disposals	(4)	(47)	(11)	-	(62)
Depreciation at 16 September 2000	161	1,035	116	-	1,312
Net book value at 16 September 2000	544	767	104	44	1,459
Net book value at 18 September 1999	561	807	72	88	1,528
				2000 £m	1999 £m
Analysis of land and buildings at net book value					
Freehold				466	488
Long leasehold				48	47
Short leasehold				30	26
				544	561

The book value of land as at 16 September 2000 not amortised in the financial statements was £69 million (1999 - £67 million).

12. Capital commitments

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

Notes forming part of the financial statements continued

13. Fixed asset investments

	Joint ventures £m	Associates £m	Other investments £m	Total £m
At 18 September 1999	7	8	4	19
Effect of currency changes	-	1	-	1
Additions	5	-	-	5
Share of profit for the year	-	2	-	2
At 16 September 2000	<u>12</u>	<u>11</u>	<u>4</u>	<u>27</u>

Details of the principal joint ventures, associates and other investments are given on page 35. Interests in the net assets of joint ventures include the group's share of their gross assets of £20 million (1999 - £12 million) and the group's share of their gross liabilities of £8 million (1999 - £5 million).

Other investments are stated at cost.

14. Stocks

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

15. Debtors

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Trade debtors	-	-	439	413
Amounts owed by subsidiary undertakings	5	5	-	-
Amounts owed by holding company	315	308	107	43
Other debtors	-	-	44	44
Prepayments and accrued income	-	-	40	31
	<u>320</u>	<u>313</u>	<u>630</u>	<u>531</u>

Notes forming part of the financial statements continued

16. Current asset investments

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Listed on a recognised stock exchange				
- equity investments	1	2	14	26
- other listed investments	-	-	32	86
Unlisted investments	-	-	891	838
	<u>1</u>	<u>2</u>	<u>937</u>	<u>950</u>

The market value of the group's listed equity investments was £20 million (1999 - £35 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £1 million (1999 - £1 million) quoted on overseas stock exchanges.

17. Loans and short term borrowings

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Bank loans and overdrafts	-	1	22	17
Other loans				
Wholly repayable within five years				
5 ½% unsecured loan stock 1987/2002	2	2	2	2
7 ½% unsecured loan stock 1987/2002	5	5	5	5
Other unsecured loans	-	-	4	6
Secured loans	-	-	35	34
Wholly or partly repayable after five years				
10 ¾% redeemable debenture stock 2013 (secured)	-	-	150	150
Other unsecured loans	-	-	4	4
	<u>7</u>	<u>8</u>	<u>222</u>	<u>218</u>
Creditor analysis				
Repayable:				
in one year or less				
- bank loans and overdrafts	-	1	22	17
- other loans	7	7	40	44
	<u>7</u>	<u>8</u>	<u>62</u>	<u>61</u>
beyond one year				
- between one and two years	-	-	5	3
- between two and five years	-	-	1	1
- in more than five years	-	-	154	153
	<u>-</u>	<u>-</u>	<u>160</u>	<u>157</u>

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

18. Creditors

	Company		Group	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year				
Trade creditors	-	-	217	233
Taxation on profits	5	5	119	113
Other taxation and social security	-	-	15	15
Accruals and deferred income	3	10	304	252
Amounts owed to subsidiary undertakings	5	5	-	-
Amounts owed to joint ventures	3	-	3	-
	<u>16</u>	<u>20</u>	<u>658</u>	<u>613</u>
Amounts falling due after one year				
Taxation on profits	-	-	11	10

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

Notes forming part of the financial statements continued

19. Provisions for liabilities and charges

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

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

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

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

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

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

20. Share capital

	Ordinary shares of 5 p each 000	Nominal value £m
Authorised		
At 16 September 2000 and at 18 September 1999	<u>600,000</u>	<u>30</u>
Issued		
At 16 September 2000 and at 18 September 1999	<u>449,815</u>	<u>22</u>

Notes forming part of the financial statements continued

21. Reserves

	Share premium account £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m
Group				
At 18 September 1999	192	3	1	2,451
Effect of currency changes	-	-	-	15
Goodwill written back on disposal of businesses	-	-	-	2
Transfer to reserves	-	-	-	37
At 16 September 2000	<u>192</u>	<u>3</u>	<u>1</u>	<u>2,505</u>
Company				
At 18 September 1999	192	-	-	1,052
Retained profits for the year	-	-	-	11
At 16 September 2000	<u>192</u>	<u>-</u>	<u>-</u>	<u>1,063</u>

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

The cumulative amount of goodwill written off as a result of acquisitions made in earlier financial periods is £462 million (1999 - £464 million).

22. Contingent liabilities

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

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

23. Leases

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

Operating leases which expire:

	Within one year £m	Two to five years £m	Over five years £m	Total £m
Land and buildings	5	3	11	19
Other	<u>2</u>	<u>7</u>	<u>-</u>	<u>9</u>
At 16 September 2000	<u>7</u>	<u>10</u>	<u>11</u>	<u>28</u>
Land and buildings	4	4	11	19
Other	<u>1</u>	<u>3</u>	<u>-</u>	<u>4</u>
At 18 September 1999	<u>5</u>	<u>7</u>	<u>11</u>	<u>23</u>

24. Shares in subsidiary undertakings

	£m
At 16 September 2000 and 18 September 1999	<u>979</u>

Investments in subsidiary undertakings are shown at cost less amounts written off. A list of the principal trading subsidiary undertakings is given on page 34. Except where noted, none of the companies shown is a direct subsidiary undertaking of ABF Investments plc.

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

Notes forming part of the financial statements continued

25. Cash flow from operating activities	2000 £m	1999 £m
Operating profit	188	224
Amortisation of goodwill	6	5
Impairment of fixed assets	32	84
Depreciation	206	142
Movement with holding company	(116)	(155)
(Increase)/decrease in working capital		
- stocks	(28)	(17)
- debtors	(25)	2
- creditors	44	(26)
Provisions	13	(3)
Net cash from operating activities	320	256

26. Acquisitions and disposals

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

There have been no material fair value adjustments on acquisitions.

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

Notes forming part of the financial statements continued

27. Analysis of changes in financing

	2000 £m	1999 £m
Issue of short term loans	(47)	(46)
Repayment of short term loans	54	46
Issue of loans over one year	(1)	(3)
Repayment of loans over one year	-	2
Increase in bank borrowings	(4)	-
	<u>2</u>	<u>(1)</u>

28. Net funds

	Invest- ments £m	Cash at bank £m	Short term borrow- ings £m	Loans over one year £m	Total £m
Decrease in cash	-	(590)	3	-	(587)
Financing (note 27)	-	1	-	(1)	-
Management of liquid funds	(568)	568	-	-	-
Purchase of equity investments	1	-	-	-	1
Sale of equity investments	(6)	-	-	-	(6)
Changes in market value	9	-	-	-	9
Arising on acquisition of subsidiary undertakings	-	-	(8)	-	(8)
Effect of currency changes	2	1	(1)	1	3
Movement in net funds in the year - 1998/99	(562)	(20)	(6)	-	(588)
Net funds at 12 September 1998	<u>1,512</u>	<u>59</u>	<u>(55)</u>	<u>(157)</u>	<u>1,359</u>
Net funds at 18 September 1999	<u>950</u>	<u>39</u>	<u>(61)</u>	<u>(157)</u>	<u>771</u>
Increase in cash	-	7	-	-	7
Financing (note 27)	-	(2)	3	(1)	-
Management of liquid funds	(10)	10	-	-	-
Purchase of equity investments	7	-	-	-	7
Sale of equity investments	(9)	-	-	-	(9)
Changes in market value	(4)	-	-	-	(4)
Effect of currency changes	3	1	(4)	(2)	(2)
Movement in net funds in the year - 1999/00	(13)	16	(1)	(3)	(1)
Net funds at 18 September 1999	<u>950</u>	<u>39</u>	<u>(61)</u>	<u>(157)</u>	<u>771</u>
Net funds at 16 September 2000	<u>937</u>	<u>55</u>	<u>(62)</u>	<u>(160)</u>	<u>770</u>

» Liquid funds comprise interest bearing instruments and deposits.

Notes forming part of the financial statements continued

29. Financial instruments

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

Interest rate risk profile of financial assets

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

	Financial assets on which no interest is received £m	Floating rate financial assets £m	Fixed rate financial assets £m	Total £m	Fixed rate financial assets	
					Weighted average interest rate %	Weighted average period for which rate is fixed Months
Currency						
Sterling	14	785	36	835	6.1	44
Australian dollar	-	42	-	42	-	-
US dollar	3	16	-	19	-	-
Euro	-	62	10	72	5.0	18
Other	1	21	-	22	-	-
At 16 September 2000	18	926	46	990	5.9	39
Currency						
Sterling	28	748	77	853	5.3	60
Australian dollar	-	35	-	35	-	-
US dollar	2	21	-	23	-	-
Euro	-	49	14	63	4.0	22
Other	1	18	-	19	-	-
At 18 September 1999	31	871	91	993	5.0	54

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

Notes forming part of the financial statements continued

29. Financial instruments continued

Interest rate risk profile of financial liabilities

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

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Fixed rate financial liabilities	
				Weighted average interest rate %	Weighted average period for which rate is fixed Months
Currency					
Sterling	14	157	171	10.6	146
US dollar	1	4	5	8.2	160
Euro	1	-	1	-	-
Other	34	6	40	6.9	27
At 16 September 2000	50	167	217	10.4	143

Currency					
Sterling	20	157	177	10.6	159
Australian dollar	1	-	1	-	-
US dollar	5	4	9	8.4	179
Euro	1	-	1	-	-
Other	25	5	30	6.8	39
At 18 September 1999	52	166	218	10.4	156

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.

	Functional currency of group operation			
	Sterling £m	Euro £m	Other £m	Total £m
Net foreign currency monetary assets/(liabilities)				
Sterling	-	10	-	10
US dollar	8	1	4	13
Euro	11	-	-	11
Other	32	(1)	-	31
At 16 September 2000	51	10	4	65
Sterling	-	(1)	(3)	(4)
US dollar	2	-	7	9
Euro	19	-	(1)	18
Other	1	-	-	1
At 18 September 1999	22	(1)	3	24

Notes forming part of the financial statements continued

29. Financial instruments continued

Borrowing facilities

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

	2000 £m	1999 £m
Expiring within one year	19	19
Expiring in years one to two	-	-
Expiring thereafter	-	1
	<u>19</u>	<u>20</u>

Fair value

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

	Carrying amount £m	2000 Estimated fair value £m	Carrying amount £m	1999 Estimated fair value £m
Primary financial instruments held or issued to finance the group's operations				
Cash	55	55	39	39
Fixed asset investments	4	3	4	4
Current asset investments	937	953	950	962
Loans due within one year	(62)	(62)	(61)	(61)
Loans due after one year	(160)	(205)	(157)	(215)

The fair value of current asset investments is based on market value.

Derivative financial instruments held to manage currency and commodity exposure

Forward foreign exchange contracts	-	1	-	-
Currency options	-	10	-	1

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

Notes forming part of the financial statements continued

29. Financial instruments continued

Hedges

Gains and losses on hedging instruments are not recognised until the underlying assets or liabilities are realised.

Unrecognised gains and losses on hedges

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

30. HOLDING COMPANY INFORMATION

The ultimate parent undertaking is Wittington Investments Limited which is incorporated in Great Britain and registered in England. The company is a wholly owned subsidiary of Associated British Foods plc. The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc which is incorporated in Great Britain and registered in England. The consolidated financial statements of Associated British Foods plc are available at Companies House, Crown Way, Cardiff, CF4 3UZ.

31. RELATED PARTY TRANSACTIONS

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

	Sub note	2000 £'000	1999 £'000
Sales to fellow subsidiary undertakings on normal trading terms	1	5	7
Amounts due from fellow subsidiary undertakings	1	-	1
Sales to joint ventures and associates on normal trading terms	2	46	50
Purchases from joint ventures and associates on normal trading terms	2	7	6
Amounts due from joint ventures and associates	2	6	5
Amounts due to joint ventures and associates	2	3	1

Sub notes

1. The fellow subsidiary undertaking is Fortnum and Mason plc.
2. Details of the group's principal joint ventures and associates are set out on page 35.

Principal Subsidiary Undertakings

Manufacturing activities

AB Ingredients Limited (95%)
 Abitec Corporation
 ABN Limited
 AB Technology Limited
 ACH Food Companies Incorporated
 Allied Bakeries Limited
 Allied Foods Co Limited (78%)
 Allied Grain Limited
 Allied Mills Limited
 Barcroft Company
 British Sugar plc *
 British Sugar (Overseas) Limited
 Burtons Gold Medal Biscuits Limited
 Carl Lange AS
 Cereal Industries Limited *
 Cukrownia Gliniojeck SA (53%)
 Erik Haugen AS
 Fishers Agricultural Holdings Limited
 Foods International SA
 George Weston Foods Limited (78%)
 Germains (Ireland) Limited
 Germains (UK) Limited
 Germains Sp zoo (65%)
 Gregg & Company (Knottingley) Limited
 Grosvenor Marketing Limited
 Guangxi Bo Hua Food Company (71%)
 Guangxi Boqing Food Co. Limited (60%)
 Henan Lianhua - BSO Pharmaceutical Co. Limited (57%)
 Jacksons of Piccadilly Limited
 Jordan's (NI) Limitec
 Lax & Shaw Limited
 Liaoning Liaohe Ai Min Feed Company Limited (55%)
 Liaoning Liaohe Yingpeng Feed Company Limited (55%)
 Nambarrie Tea Company Limited
 Röhm Enzyme GmbH
 Röhm Enzyme OY
 R Twining & Co. Limited
 R Twining & Company Limited
 Seed Systems Incorporated
 Shanghai ABN - Huinong Feed Company Limited (60%)
 SPCA Barcroft SA
 SPI Polyols Incorporated
 Sugarpol (Torun) Sp zoo (72%)
 The Ryvita Company Limited
 Trident Feeds
 Westmill Foods Limited
 Weston Research Laboratories Limited

Country of incorporation

United Kingdom
 USA
 United Kingdom
 United Kingdom
 USA
 United Kingdom
 New Zealand
 United Kingdom
 United Kingdom
 USA
 United Kingdom
 United Kingdom
 United Kingdom
 Denmark
 United Kingdom
 Poland
 Norway
 United Kingdom
 France
 Australia
 Republic of Ireland
 United Kingdom
 Poland
 United Kingdom
 USA
 China
 China
 China
 China
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 United Kingdom
 China
 China
 China
 United Kingdom
 Germany
 Finland
 USA
 United Kingdom
 USA
 China
 France
 USA
 Poland
 United Kingdom
 United Kingdom
 United Kingdom
 United Kingdom

Retailing activities

Primark
 Primark Stores Limited *

Republic of Ireland
 United Kingdom

Principal Subsidiary Undertakings continued

Investment and other activities

Bonuit Investments Limited
Eastbow Securities Limited *
Portelet Investments Limited
Serpentine Securities Limited *
Talisman (Guernsey) Limited

Country of incorporation

Jersey, Channel Islands
United Kingdom
Jersey, Channel Islands
United Kingdom
Guernsey, Channel Islands

Group interest is 100% except where indicated.

British Sugar (Overseas) Limited operates subsidiary undertakings and joint ventures in Europe and Asia. Other than this company, each subsidiary undertaking operates mainly in its country of incorporation.

* Direct subsidiary of ABF Investments plc

Investments

	Country of incorporation	Issued ordinary share capital	
		Total	Group percentage
Principal joint ventures and associates			
C Czarnikow Sugar Limited	United Kingdom	£1,000,000	42
Getec Guanabara Quimica Industrial SA	Brazil	BRR 14,254,370	25
Harper-Love Adhesives Corporation	USA	US\$12,200	50
Incon Technologies Incorporated	USA	US\$6,400,000	50
Mauri Products Limited	United Kingdom	£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.