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ABF Investments plc

ANNUAL REPORT AND ACCOUNTS 2006

Annual Report and Accounts 2006

Contents

Directors and advisors 2006

Directors	JG Bason PA Russell
Secretary	Rosalyn Mendelsohn
Registered office	Weston Centre 10 Grosvenor Street London W1K 4QY
Auditors	KPMG Audit Plc Chartered Accountants
Bankers	Barclays Bank plc Lloyds TSB plc The Royal Bank of Scotland plc

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 16 September 2006

Transition to IFRS
The financial statements for the year ended 16 September 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use in the EU The results for the comparative year ended 17 September 2005 are also presented in accordance with IFRS Reconciliations between primary statements produced under UK GAAP and IFRS together with explanations of the principal differences, are provided in note 33 to the financial statements

Profit and dividends
The consolidated income statement is on page 5 Profit for the year attributable to equity shareholders amounted to £317m, and dividends of £180m were declared Dividends are detailed in note 8

Principal activities
The activities of the group principally concern the processing and manufacture of food worldwide 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 given below

Business review
The profit before exceptional items and tax was £537m, an increase of £48m over the previous year

The £26m reduction in operating profit before exceptional items from £570m to £544m includes a £34m impact of sugar regime reform and a £64m increase in energy costs, most of which could not be recovered in pricing, as well as a £16m increase in amortisation of intangibles These items were largely mitigated by strong trading performances across the group, especially at Primark through a combination of higher sales from the major increase in selling space and a 3% increase in like for-like sales AB Mauri, our international yeast and bakery ingredients business, moved sharply ahead after the initial year of consolidation following its acquisition

In grocery, sales grew by 3% and profit was flat Strong progress was made by Ryvita, International Hot Beverages, ACH and our ethnic foods business Westmill However profitability was held back by particularly difficult trading at Allied Bakeries, and by lower volumes and lower sugar pricing at Silver Spoon Performance at Allied Bakeries was unsatisfactory during the year, with volume declines in both Kingsmill and own label Two new Kingsmill products were launched the promotional strategy was revised and full recovery plans have been developed

The primary food business saw sales fall by 4% and operating profit by 31% The sharp decline in profit from £166m to £115m is attributable to the EU operations of British Sugar The impact on the business of the changes to the EU sugar regime is estimated at £26m, excluding Silver Spoon, with a further impact of £21m for unrecovered energy cost increases On 4 September 2006 the group acquired the Illovo Sugar group, Africa's largest sugar producer with extensive agricultural and manufacturing operations in six countries in Southern Africa Details of the acquisition are included in note 24

The ingredients business saw revenues and operating profit increase by 25% and 26% respectively This reflected a full year contribution from AB Mauri, following its acquisition in November 2004 Good progress was made in recovering higher raw material costs, particularly molasses and energy, through a combination of price increases and costs savings in a number of key markets Bakery ingredients continued its strong growth particularly in China, South America and South and West Africa

Primark again delivered very strong revenue and profit growth, both increasing by 18% to £1,168m and £166m respectively The revenue increase resulted from 3% growth in like for like sales and a substantial increase in retail selling space, which increased 40% over the year from 2 5million square feet to 3 5 million square feet The Littlewoods stores contributed sales and profits of £141m and £19m respectively prior to their closure in January 2006 and subsequent sale or conversion to Primark stores In total 27 stores were opened during the year and, following the closure of six smaller stores, Primark was trading from 143 stores at the year end

Net financial income increased by £38m compared to a year ago This was largely due to the capital injection of £283m received on 20 December 2005, which served to reduce debt

Risk management review
The risk management process in the group and the parent company, Associated British Foods plc, seeks to enable the early identification, evaluation and effective management of the key risks facing the businesses at operational level and to operate internal controls, which adequately mitigate these risks The key risks and internal control procedures are reviewed by group personnel together with internal audit activities Each business is responsible for regularly assessing its risk management activities to ensure good practice in all areas Compliance with group requirements is monitored six monthly, and these assessments are formally reviewed by group personnel at least annually The Audit committee receives reports on internal financial control issues from management and from the external auditors and regularly reports to the board for the purposes of the board's annual review

The principal corporate risks as identified by each business are

1 Food safety
The Company derives 55% of its turnover from the production and sale of food Food products include bread, crispbreads, flour, rice, noodles, teas, sugar and sweeteners vegetable oils, cakes meat and dairy products To manage food safety risks, our sites operate food safety systems which are regularly reviewed to ensure they remain effective including compliance with all regulatory requirements for hygiene and food safety Our food products are made to high standards regardless of where they are manufactured The group always puts food safety before economic considerations

2 Supply chain labour standards
Companies in our sector, especially those with global supply chains, are at greater risk of controversies relating to breaches by suppliers of the International Labour Organisation core labour standards The group mitigates this risk of possible damage to its reputation by working hard to ensure that it does not buy from factories with poor working conditions Primark requires all the factories that manufacture its clothes to sign up to Primark's Supplier Code of Conduct which lays out strict guidelines on working conditions Primark's buyers visit all factories before they start work with them and will not buy from factories with obviously poor conditions In addition, every year the group sends independent auditors to a selection of factories to check they are in keeping with our standards In this way we try to ensure that factories around the world that make our clothes do so in a responsible way
Primark is a member of the Ethical Trading Initiative an alliance of companies, trade unions and non profit organisations that aims to promote respect for the rights of people in factories and farms worldwide The group is committed to monitoring and progressively improving the conditions of the people that make its products
Twinings is a member of the Ethical Tea Partnership which requires its suppliers and subcontractors to meet the International Labour Organisation core labour standards, respecting an observance of human rights and fundamental freedoms without discrimination as to race sex, language or religion

3 Competition rules
The penalties for failing to comply with the 1998 Competition Act, relevant EU law and all relevant competition legislation are recognised as risks to be managed within the group Clear policy direction, which includes compulsory awareness training and close support from the internal legal department, has reduced the likelihood of the group breaching these regulations

4 Environment
The group recognises the impact that its businesses have on the environment Therefore, as a minimum, we aim to comply with current applicable legislation of the countries in which we operate, and our operations are conducted with a view to ensuring that

emissions to air releases to water and land filling solid wastes do not cause unacceptable environmental impacts and do not offend the community;
- significant plant and process changes are assessed and positively authorised in advance to prevent adverse environmental impacts
- energy and natural resources are used efficiently and energy consumption is monitored and 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, and effective emergency response procedures are in place to minimise the impact of forseeable incidents

Directors' report continued

5 Health and safety
We consider health and safety as equal in importance to that of any other function of the Company and its business objectives We seek to provide a safe and healthy workplace and system of work in line with local regulations in order to protect all employees, visitors and the public, insofar as they come into contact with forseeable work hazards Our employees are expected to adopt a proactive attitude towards this end We will continue to develop safety and awareness amongst all employees and will measure, manage and further improve our health and safety performance
Fatalities We very much regret that there were two deaths in our factories during the year One involved rotating machinery and the other involved a mechanical tail-lift fitted to a delivery vehicle They were both fully investigated by our own experts and by the external regulatory authorities
Injuries In 2005 we reported 666 injuries to the regulators There was an increase in the absolute number of injuries in 2005 due to the acquisition of 44 more factories both in the UK and internationally However there were good performances and safety improvements in the established ABF companies

6 Currency/commodity/energy price fluctuation
In common with other global businesses in our sectors, the group is exposed to risks from currency fluctuations and changes in commodity and energy prices Group businesses operate strict hedging and procurement policies, assisted by the group treasury function, to mitigate the effects of volatility in these areas The group has a treasury policy to which group businesses must adhere when implementing risk management strategies

7 Loss of a major site
The group operates from many key sites the loss of which, for example as a result of fire, would present significant operational difficulties Our operations have business continuity plans in place to manage the impact of such an event and group insurance programmes to mitigate the financial consequences This readiness to deal with the unexpected is exemplified by the response to the potentially catastrophic fire which destroyed Primark's major UK warehouse in November 2005, when alternative arrangements were quickly made to continue supply of stock to Primark stores, and minimise disruption

Property, plant & equipment
The group s tangible fixed assets are included in the financial statements at depreciated historic 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

Directors and directors' interests
The directors who held office during the period were as follows

JG Bason
PA Russell

JG Bason is also a director of the Company's parent company Associated British Foods plc, and details of his interests in the shares of Associated British Foods plc appear in that company's 2006 Annual Report and Accounts, including his interests under the Associated British Foods 1994 Share Option Scheme, the Associated British Foods 2000 Executive Share Option Scheme and the Associated British Foods Executive Share Incentive Plan 2003

PA Russell notified a beneficial interest of 3,000 (2005 3,000) ordinary shares of 515/22p in Associated British Foods plc as at 16 September 2006

Associated British Foods Executive Share Incentive Plan 2003
For the three year period from 2003-4 to 2005-6 a long-term incentive plan has been established for executive directors and other key executives. This plan rewards superior growth in profits and cash flow and encourages investment in suitable growth opportunities The value of this long-term incentive is up to 150% of base salary over three years and is subject to testing at the end of 2005-6 against a pre-determined operating profit target range This target range is demanding but in any case payouts will not be made to scheme participants if growth in earnings per share is below RPI + 4% per annum on average over the three year period of the plan

Awards under this long-term incentive plan are in the form of a conditional allocation of shares which will be released if, and to the extent that, the performance targets described are satisfied over the specified three year period Shares to a maximum value of 150% of salary were allocated in December 2003 following shareholder approval at the 2003 AGM, and shares to meet these obligations have been acquired on the market As at 16 September 2006, 18,186 shares had been allocated to Peter Russell

Employees
Our employees are our most crucial resource and therefore we abide by the following principles

- Equal opportunities
  We are committed to offering equal opportunities to all people 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

- Health and safety
  We consider health and safety as equal in importance to that of any other function of the company and its business objectives The policy and full global report is available on the parent company website at www abf co uk

- Harassment
  We will not tolerate sexual, mental or physical harassment in the workplace We expect incidents of harassment to be reported to the appropriate human resources director

- Human rights
  Managers must take account of the core International Labour Organisation labour conventions and strive to observe the UN Declaration on Human Rights, by respecting the dignity and human rights of our employees and in particular as stated below -
  "Universal respect for an observance of human rights and fundamental freedoms for all without discrimination as to race, sex, language or religion "
  We remunerate fairly with respect to skills, performance our peers and local conditions

- Communication
  We will brief employees and their representatives on all relevant matters on a regular basis

Suppliers
We will carry out our business honestly, ethically and with respect for the rights and interests of our suppliers We will settle our bills promptly being a signatory to the Better Payment Practice Code and we will co-operate with suppliers to improve quality and efficiency We seek to develop relationships with supplier companies consistent with these basic principles and specifically with respect to human rights and conditions of employment Where supplier audits show shortcomings in any of these areas, we will strive to encourage a programme of improvement leading to compliance Responsibility for specific supply codes and agreements rests with individual companies ABF Investments plc has no trade creditors

Charitable and political donations
Contributions to charitable organisations by the group during the year totalled £0 4m (2005 £0 3m) Political donations were made during the year by Food Investments Pty in Australia to the Liberal Party of Australia of £12,273 (2005 - £4,132) Payments were made in 2005 to the Australian Labour Party of £1,446 and to the National Party of Australia of £207 No such payments were made in 2006

Directors' report continued

Disclosure of information to auditors
The directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information For these purposes, relevant audit information means information needed by the Company's auditors in connection with preparing their report on page 4

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

Directors' indemnities
One director of the Company and three directors of operating subsidiaries benefited from qualifying third party indemnity provisions provided by the Company during the financial year and as at the date of this report

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

By order of the board

RS Mendelsohn
Secretary

12 April 2007

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they are required to prepare group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law ('UK Generally Accepted Accounting Practice')

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation

The group financial statements are required by law to give a true and fair view of the state of affairs of the parent company and of the profit and loss of the parent company for that period. In preparing each of the group and parent company 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,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 auditors' report to the members of ABF Investments plc

We have audited the group and parent company financial statements (the "financial statements") of ABF Investments plc for the year ended 16 September 2006 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated cash flow statement the consolidated statement of recognised income and expense and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the annual report 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 Our responsibilities do not extend to any other information We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company'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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU of the state of the group's affairs as at 16 September 2006 and of its profit for the year then ended,
• the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 16 September 2006
• the financial statements have been properly prepared in accordance with the Companies Act 1985 and
• the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

12 April 2007

Consolidated income statement

for the year ended 16 September 2006

Continuing Operations	Note	Before exceptional items * 2006 £m	Exceptional items 2006 £m	Total 2006 £m	2005 Restated £m
Revenue	1	5,996	-	5,996	5 622
Operating costs before exceptional items	2	(5,472)	-	(5,472)	(5,079)
Impairment of property, plant & equipment	10	-	(64)	(64)	-
Restructuring costs	2	-	(33)	(33)	-
		524	(97)	427	543
Share of profit after tax from joint ventures and associates	12	10	-	10	7
Profits less losses on sale of property, plant & equipment		10	-	10	20
Operating profit		544	(97)	447	570
Adjusted operating profit	1	575	-	575	575
Profits less losses on sale of property, plant & equipment		10	-	10	20
Amortisation of intangibles	9	(41)		(41)	(25)
Exceptional items		-	(97)	(97)	-
Profit less losses on sale of businesses	24	(4)	-	(4)	(1)
Provision for loss on termination of an operation		(8)	-	(8)	(47)
Profit before interest	1	532	(97)	435	522
Financial income	4	225	-	225	204
Financial expenses	5	(220)	-	(220)	(237)
Profit before taxation		537	(97)	440	489
Adjusted profit before taxation		580	-	580	542
Profits less losses on sale of property plant & equipment		10	-	10	20
Amortisation of intangibles		(41)	-	(41)	(25)
Exceptional items		-	(97)	(97)	-
Profit less losses on sale of businesses		(4)	-	(4)	(1)
Provision for loss on termination of an operation		(8)	-	(8)	(47)
Taxation - UK		(94)	29	(65)	(67)
- Overseas		(51)	-	(51)	(59)
	7	(145)	29	(116)	(126)
Profit for the period		392	(68)	324	363
Attributable to					
Equity shareholders		385	(68)	317	356
Minority interests - equity		7	-	7	7
Profit for the period	23	392	(68)	324	363

* Refer to accounting policy on page 9

Consolidated balance sheet

at 16 September 2006

	Note	2006 £m	2005 Restated £m
Non current assets			
Intangible assets	9	**1,480**	1,090
Property plant & equipment	10	**2,479**	2,255
Biological assets	11	**46**	-
Investments in joint ventures	12	**54**	36
Investments in associates	12	**15**	15
Employee benefits assets	13	**169**	95
Deferred tax assets	14	**80**	76
Other receivables	15	**480**	67
Total non-current assets		**4,803**	3,634
Current assets			
Assets classified as held for sale	16	**53**	9
Inventories	17	**681**	556
Biological assets	11	**51**	-
Trade and other receivables	15	**904**	659
Other investments	18	**53**	269
Cash and cash equivalents	19	**283**	777
Total current assets		**2,025**	2,270
TOTAL ASSETS		**6,828**	5 904
Current liabilities			
Liabilities classified as held for sale	16	**(11)**	-
Interest-bearing loans and overdrafts	20	**(180)**	(83)
Trade and other payables	21	**(1,605)**	(1,521)
Income tax		**(101)**	(102)
Provisions	22	**(49)**	(61)
Total current liabilities		**(1,946)**	(1,767)
Non current liabilities			
Interest-bearing loans	20	**(176)**	(174)
Income tax		**-**	(4)
Provisions	22	**(21)**	(29)
Deferred tax liabilities	14	**(398)**	(232)
Employee benfits liabilities	13	**(37)**	(13)
Total non-current liablities		**(632)**	(452)
TOTAL LIABILITIES		**(2,578)**	(2,219)
NET ASSETS		**4,250**	3,685
Equity			
Called up share capital	23	**22**	22
Share premium account	23	**192**	192
Capital reserve	23	**283**	-
Other reserves	23	**1**	1
Translation reserve	23	**(44)**	31
Hedging reserve	23	**(6)**	-
Retained earnings	23	**3,578**	3,410
		4,026	3,656
Minority interests	23	**224**	29
TOTAL EQUITY		**4,250**	3,685

The financial statements on pages 6 to 43 were approved by the board of directors on 12 April 2007 and were signed on its behalf by

John Bason Director

Consolidated cash flow statement

for the year ended 16 September 2006

	2006 £m	2005 Restated £m
Cash flow from operating activities		
Profit before taxation	440	489
Add back non-operating items		
Profits less losses on sale of property plant & equipment	(10)	(20)
Profits less losses on sale of businesses	4	1
Provision for loss on termination of an operation	8	47
Exceptional items	97	-
Financial income	(225)	(204)
Financial expenses	220	237
Adjustments for		
Share of profit from joint ventures and associates	(10)	(7)
Amortisation	41	25
Depreciation	177	161
Pension cost less contributions	(1)	(8)
Increase in inventories	(29)	(25)
Increase in receivables	(188)	(9)
Increase/(decrease) in payables	68	(14)
(Decrease)/increase in provisions	(62)	-
Cash generated from operations	530	673
Income taxes paid	(96)	(128)
Net cash from operating activities	434	545
Cash flows from investing activities		
Dividends received from joint ventures	1	2
Dividends received from associates	3	2
Purchase of property, plant & equipment	(432)	(403)
Purchase of intangibles	(13)	-
Sale of property, plant & equipment	181	39
Purchase of subsidiary undertakings	(496)	(1,130)
Sale of subsidiary undertakings	-	8
Purchase of joint ventures and associates	-	(18)
Interest received	112	95
Loan repayment from joint venture	-	51
Net cash from investing activities	(644)	(1,354)
Cash flows from financing activities		
Dividends paid to minorities	(6)	(4)
Dividends paid to shareholders	(180)	(150)
Interest paid	(116)	(133)
Decrease in other current asset investments	216	273
Financing		
(Decrease)/increase in short term loans from parent company	(151)	777
(Increase)/decrease in long term deposits with parent company	(408)	14
(Decrease)/increase in short-term loans	(33)	1
(Decrease)/increase in long term loans	-	-
Inflow from issue of share capital	283	6
Net cash from financing activities	(395)	784
Net decrease in cash and cash equivalents	(605)	(25)
Cash and cash equivalents at the beginning of the period	742	755
Effect of movements in foreign exchange	(5)	12
Cash and cash equivalents at the end of the period	132	742

Consolidated statement of recognised income and expense

for the year ended 16 September 2006

	2006 £m	2005 Restated £m
Actuarial gains/(losses) losses on defined benefit schemes	**43**	(6)
Deferred tax associated with defined benefit schemes	**(12)**	-
Effect of movements in foreign exchange	**(76)**	32
Tax on effect of movements in foreign exchange	**-**	(1)
Movement of cash flow hedging position	**(13)**	-
Net (loss)/gain recognised directly in equity	**(58)**	25
Profit for the period	**324**	363
Total recognised income and expense for the period	**266**	388
Adjustments relating to adoption of IAS 32 and IAS 39 on 18 September 2005 (Equity shareholders)	**7**	-
	273	388
Attributable to		
Equity shareholders	**260**	380
Minority interests	**6**	8
	266	388

Significant accounting policies

for the year ended 16 September 2006

ABF Investments plc (the "Company") is a company domiciled in the United Kingdom The consolidated financial statements of the Company for the year ended 16 September 2006 comprise those of the Company and its subsidiaries (together referred to as the "group") and the group's interest in associates and jointly controlled entities

Statement of compliance

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS') These are the group's first consolidated financial statements prepared under Adopted IFRS and IFRS 1 has been applied An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the group is provided in note 33

The Company has elected to prepare its parent company financial statements under UK Generally Accepted Accounting Principles These are presented on pages 44 to 46

Basis of preparation

The consolidated financial statements are presented in sterling, rounded to the nearest million They are prepared on the historical cost basis except that derivative financial instruments, biological assets and other current investments are stated at their fair value Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience Actual results may differ from these estimates Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment next year are discussed in note 32

The estimates and underlying assumptions are reviewed on an ongoing basis Revision to accounting estimates are recognised in the period in which the estimates are revised

The financial statements of the Company and its subsidiary undertakings are prepared for the 52 weeks ended 16 September 2006, except that, to avoid delay in the preparation of the consolidated financial statements, those of Australia, New Zealand, China, Poland and the North and South American subsidiary undertakings are made up to 31 August 2006 Adjustments are made for significant transactions or events occurring between 31 August and 16 September

The accounting policies set out below have been applied to all periods presented except where the policy relates to the implementation of the following Adopted IFRS, as permitted by IFRS 1

Business combinations – the provisions of IFRS 3 have been applied from 3 September 2004 The net carrying value of goodwill at 18 September 2004, after adjustment to include the acquisition of the US Herbs & Spices business on 3 September 2004 under IFRS, has been deemed to be the cost at 19 September 2004,

Financial instruments – the provisions of IAS 32 and IAS 39 have been adopted from 18 September 2005 Comparatives have not been restated,

Cumulative translation differences arising on consolidation of subsidiaries – IAS 21 requires such differences to be held in a separate reserve rather than included in the profit and loss reserve under UK GAAP The translation reserve has been deemed to be nil on 19 September 2004

Employee benefits – pursuant to IAS 19, all cumulative actuarial gains and losses in relation to employee benefit schemes were recognised as at the date of transition of 19 September 2004, and

Non-current assets held for sale and discontinued operations - IFRS 5 has been early adopted from 19 September 2004

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings from the date that control commences to the date that control ceases The consolidated financial statements also include the group's share of the results of its joint ventures and associates on an equity-accounted basis from the point at which joint control or significant influence respectively commences, to the date that it ceases

Subsidiary undertakings are entities controlled by the Company Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities

Joint ventures are those entities over whose activities the group has joint control established by contractual agreement

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies

Business combinations

On the acquisition of a business or an interest in a joint venture or associate, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition Adjustments to fair values include those made to bring accounting policies into line with those of the group

Revenue

Revenue represents the net invoiced value of goods and services delivered to customers, excluding sales taxes Revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer Revenue is stated net of price discounts, certain promotional activities and similar items

Borrowing costs

Borrowing costs are accounted for on an accruals basis in the income statement using the effective interest method

Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement in accordance with paragraphs 86 and 87 of IAS 1 Presentation of Financial Statements

Significant accounting policies continued

Foreign currencies
In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date Any resulting differences are taken to the income statement

On consolidation, assets and liabilities of foreign operations that are denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date Income and expense items are translated into sterling at weighted average rates of exchange other than substantial transactions which are translated at the rate of exchange on the date of the transaction

Differences arising from the retranslation of opening net assets of group companies, together with differences arising from the restatement of the net results of group companies from average or actual rates, to rates at the balance sheet date, are taken to the translation reserve

Pensions and other post employment benefits
The group's principal pension funds are defined benefit plans In addition the group has defined contribution plans and other unfunded post employment liabilities For defined benefit plans, the amount charged in the income statement is the cost of vested benefits accruing to employees over the year plus any benefit improvements granted to members by the group during the year It also includes a credit equivalent to the group's expected return on pension plan assets over the year offset by a charge equal to the expected interest on plan liabilities over the year The difference between the market value of plan assets and the present value of plan liabilities is disclosed as an asset or liability on the consolidated balance sheet Any related deferred tax (to the extent it is recoverable) is disclosed separately on the consolidated balance sheet Any actuarial gains or losses are recognised immediately in the statement of recognised income and expense

Contributions payable by the group in respect of defined contribution plans are charged to operating profit as incurred

Share based payments employee benefits
The Share Incentive Plan allows executives to receive an allocation of shares to be received at the end of 2005/6 subject to attainment of certain financial performance criteria The fair value of the shares to be awarded is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the executives become unconditionally entitled to the shares The fair value of the shares allocated is measured taking into account the terms and conditions upon which the shares were allocated The amount recognised as an expense is adjusted to reflect the actual number of shares that vest

The Share Option Scheme (1994) and Executive Share Option Scheme (2000) allow executives to acquire shares of the Company The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the executives become unconditionally entitled to the options The fair value of the options granted is measured using a binomial lattice model taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Income tax
Income tax on the profit or loss for the period comprises current and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items taken directly to reserves

Current tax is the tax expected to be payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than those acquired in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend

Financial instruments
The group has adopted the exemption granted by IFRS 1 that IAS 32 and 39 need not be applied to the comparative period Consequently the 2005 disclosure provided for financial instruments (note 26) is in accordance with UK GAAP Under UK GAAP, forward foreign exchange contracts hedging transactional exposures were revalued at year end exchange rates with net unrealised gains and losses being deferred to match the maturity of the underlying exposures The accounting policies described below for financial instruments are applicable from 18 September 2005 and are in accordance with IFRS The effect of adopting these standards was to recognise a net derivative asset of £7m in the opening balance sheet (refer to Note 33)

Derivative financial instruments
The group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates and also to changes in the price of certain commodities used in the manufacture of its products
Derivative financial instruments are recognised in the balance sheet at their fair value calculated using either discounted cash flows or option pricing models consistently applied for similar types of instrument Both techniques take into consideration assumptions based on market data Changes in the fair value of derivatives that do not qualify for hedge accounting are charged or credited to the income statement

The purpose of hedge accounting is to mitigate the impact on the group of changes in exchange or interest rates and commodity prices, by matching the impact of the hedged item and the hedging instrument in the income statement To qualify for hedge accounting the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement At inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions The group also documents its assessment, both at the hedge inception and on a quarterly basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be highly effective

The group designates derivatives that qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability (fair value hedge), (b) a hedge of a forecast transaction or firm commitment (cash flow hedge), or (c) a hedge of a net investment in a foreign entity

The method of recognising the resulting gains or losses from movements in fair values is dependent on whether the derivative contract is designated to hedge a specific risk and qualifies for hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve The ineffective part of any gain or loss is recognised in the income statement immediately

Significant accounting policies continued

When the forecast transaction subsequently results in the recognition of an asset or liability, the associated cumulative gain or loss is removed from reserves and is included in the initial measurement of the non financial asset or liability Otherwise the cumulative gain or loss is removed from reserves and is recognised in the income statement at the same time as the hedged transaction To the extent that any part of the hedge is ineffective, the gain or loss on that part is recognised in the income statement

Net investment hedges take the form of either foreign currency borrowings or derivatives All foreign exchange gains or losses arising on translation of net investments are recorded in equity and included in the translation reserve Monetary liabilities used as a net investment hedge are revalued at closing exchange rates with resulting gains or losses taken to equity Foreign exchange contracts hedging net investments in overseas businesses are revalued at fair value Fair value movements on effective hedges are taken to equity with any ineffectiveness recognised in the income statement

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract In these circumstances the host contract is not carried at fair value with unrealised gains or losses on the derivative reported in the income statement for the period

Non-derivative financial instruments
Financial assets and financial liabilities are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortised cost except for current investments The group has designated some current investments 'financial assets at fair value through profit and loss' because these instruments are managed, and their performance is evaluated, on a fair value basis in accordance with the group's risk management and investment strategy Investments other than those designated as 'at fair value through the profit and loss' are classified as investments available for sale, where gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period

Financial assets are derecognised when the contractual rights to the cash flows expire or the contractual rights to receive the cash flows are transferred The contractual rights to receive cash flows are transferred when substantially all the risk and rewards of ownership of the financial asset are transferred Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires

Comparative accounting policy for 2005
The following accounting policy has been applied to the key financial instruments used by the group for the year ending 17 September 2005, in accordance with UK GAAP

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 sale 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 on hedging instruments that are cancelled due to the termination of the underlying exposure are taken to the profit and loss account immediately

Property, plant & equipment
Items of property plant & equipment are stated at cost less accumulated depreciation and impairment charges
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment sufficient to reduce them to their estimated residual value Land is not depreciated The estimated useful lives are generally deemed to be no longer than

- freehold buildings		66 years
- plant and equipment, fixtures and fittings	- sugar factories	20 years
	- other operations	12 years
- vehicles		8 years

Biological assets
Cane roots and growing cane are valued at fair value determined on the following bases
- cane roots - the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life
- growing cane the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport

Leases
Where the group has substantially all the risks and rewards of ownership of an asset that is subject to a lease, the lease is treated as a finance lease Other leases are treated as operating leases Finance leases are stated at the lower of fair value and present value of minimum lease payments less accumulated depreciation and impairment Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease The benefit of lease incentives received is recognised in the income statement over the life of the lease

Intangible assets other than goodwill
Intangible assets that are acquired by the group and have a finite life are stated at cost less accumulated amortisation and impairment charges
Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets from the date they are available for use The estimated useful lives are as follows

- customer relationships	- up to 5 years
- grower contracts	- up to 10 years
- technology and brands	- up to 15 years

Goodwill
All business combinations are accounted for by applying the purchase method Goodwill represents amounts arising on acquisition of subsidiary undertakings, associates and joint ventures In respect of business acquisitions that have occurred since 3 September 2004, goodwill represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired, including separately identified intangible assets
In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, represented by the net book value recorded under previous GAAP The classification and accounting treatment of business combinations that occurred prior to 3 September 2004 has not been reconsidered in preparing the group's opening IFRS balance sheet at 18 September 2004

Goodwill is not amortised but is tested for impairment at each balance sheet date

Research and development
Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads Other development expenditure is recognised in the income statement as an expense as incurred Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges

Significant accounting policies continued

Impairment
The carrying amounts of the group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset s recoverable amount is estimated

For goodwill the recoverable amount is estimated at each balance sheet date

An impairment charge is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment charges are recognised in the income statement within operating costs

Impairment charges recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis

Goodwill was tested for impairment at 18 September 2004 the date of transition to IFRS, even though no indication of impairment existed

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed

In respect of other assets, an impairment charge is reversed if there has been a change in the estimates used to determine recoverable amount An impairment charge is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Inventories
Inventories are stated at the lower of cost and net realisable value Cost includes raw materials, direct labour and expenses, an appropriate proportion of production and other overheads, but not borrowing costs Cost is calculated on a first-in first-out basis

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits and investments with original maturities of three months or less Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow statement

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 16 September 2006 and have not been applied in preparing these consolidated financial statements

IFRS 7 *Financial Instruments Disclosures* and the *Amendments to IAS 1 Presentation of Financial Statements Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks IFRS 7 and amended IAS 1, which become mandatory for the group s 2007 financial statements, will require extensive additional disclosures with respect the group's financial instruments and share capital

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax IFRIC 7 which becomes mandatory for the group's 2008 financial statements, is not expected to have any impact on the consolidated financial statements

IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract IFRIC 9 which becomes mandatory for the group s 2007 financial statements, is not expected to have any impact on the consolidated financial statements

IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost IFRIC 10 will become mandatory for the group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i e , 18 September 2005) IFRIC 10 is not expected to have any significant impact on the consolidated financial statements

The group does not consider that any other standards or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the consolidated financial statements

Notes forming part of the financial statements

for the year ended 16 September 2006

1 Segmental analysis

Segment reporting is presented in respect of the group's business and geographical segments The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics Inter-segment pricing is determined on an arm's length basis Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis Unallocated items comprise mainly corporate assets and expenses Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year

Business segments

The group is comprised of the following business segments

- Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, ethnic foods, herbs & spices and meat & dairy products which are sold into retail, wholesale and foodservice businesses
- Primary Food	The processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon which is included in the grocery segment
- Agriculture	The manufacture of animal feeds and the provision of other products and services for the agriculture sector
- Ingredients	The manufacture of bakers yeast, bakery ingredients, specialty proteins, enzymes, lipid technologies and polyols
- Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains

Geographical segments

The secondary format presents the revenues profits and assets for the following geographical segments

- United Kingdom
- Europe Middle East & Africa
- The Americas
- Asia Pacific

Geographically segmented revenues are shown by reference to the geographical location of customers Segment assets are based on the geographical location of the assets

	Revenue		Adjusted Operating Profit	
	2006	2005	**2006**	2005
	£m	£m	**£m**	£m
Business segments				
Grocery	**2,656**	2,590	**185**	185
Primary food	**671**	700	**115**	166
Agriculture	**631**	735	**16**	20
Ingredients	**729**	583	**82**	65
Retail	**1,309**	1,006	**185**	140
Central	**-**	-	**(8)**	(1)
	5,996	5,614	**575**	575
Businesses disposed				
Agriculture	**-**	8	**-**	-
	5,996	5,622	**575**	575
Geographical segments				
United Kingdom	**3,003**	2,816	**295**	334
Europe, Middle East & Africa	**746**	720	**73**	72
The Americas	**1,210**	1,102	**124**	102
Asia Pacific	**1,037**	976	**83**	67
	5,996	5,614	**575**	575
Businesses disposed				
United Kingdom	**-**	8	**-**	-
	5,996	5,622	**575**	575

Notes forming part of the financial statements continued

1 Segmental analysis - for the year ended 16 September 2006

Business segments	**Grocery £m**	**Primary Food £m**	**Agriculture £m**	**Ingredients £m**	**Retail £m**	**Central £m**	**Eliminations £m**	**Total £m**
Revenue from continuing operations	2,675	766	631	775	1,309	-	(160)	5,996
Internal revenue	(19)	(95)	-	(46)		-	160	-
Revenue from external customers	2,656	671	631	729	1,309	-	-	5 996
Adjusted operating profit	185	115	16	82	185	(8)	-	575
Exceptionals		(97)	-	-	-		-	(97)
Amortisation of intangibles	(12)	-	-	(29)	-		-	(41)
Profits less losses on sale of property, plant & equipment	4	4	(1)	-	2	1	-	10
Profits less losses on sale of businesses	3	(2)	-	(6)	-	1	-	(4)
Provision for loss on termination of an operation	-	-	-	-	(8)	-	-	(8)
Profit before financial income, expenses and taxation	180	20	15	47	179	(6)	-	435
Financial income						225	-	225
Financial expenses						(220)	-	(220)
Income tax expense						(116)	-	(116)
Profit for the period	180	20	15	47	179	(117)	-	324
Segment assets (excl investments in associates and joint ventures)	1 782	1,497	158	1,010	1,302	425	-	6,174
Investment in associates and joint ventures	7	6	27	29	-	-	-	69
Segment assets	1 789	1,503	185	1,039	1 302	425	-	6,243
Cash and cash equivalents						283	-	283
Employee benefits asset						169	-	169
Deferred tax assets						80	-	80
Other investments						53	-	53
Segment liabilities	(303)	(338)	(48)	(113)	(216)	(844)		(1,862)
Interest bearing loans and overdrafts						(180)	-	(180)
Income tax						(101)	-	(101)
Deferred tax liabilities						(398)	-	(398)
Employee benefits liability						(37)	-	(37)
Net assets	1 486	1,165	137	926	1,086	(550)	-	4,250
Capital expenditure	84	55	6	48	303	-	-	496
Depreciation	71	36	7	30	33	-	-	177
Amortisation	12	-	-	29	-	-	-	41
Impairment	-	64	-	-	-	-	-	64
Other significant non cash expenses		30	-	-	10	-	-	40

Geographical segments	**United Kingdom £m**	**Europe, Middle East & Africa £m**	**The Americas £m**	**Asia Pacific £m**	**Eliminations £m**	**Total £m**
Revenue from external customers	3 003	746	1,210	1,037	-	5,996
Segment assets	2,930	1,533	1,023	757	-	6,243
Capital expenditure	357	52	30	57	-	496
Depreciation	101	18	26	32	-	177
Amortisation	4	7	18	12	-	41
Impairment	64	-	-	-	-	64
Other significant non-cash expenses	40	-	-	-	-	40

Other significant non-cash expenses include a provision for £30m for costs associated with the closure of two UK sugar factories, announced on 4 July 2006 (see note 10), and a provision of £10m for costs associated with the termination of Littlewoods

Notes forming part of the financial statements continued

1 Segmental analysis - for the year ended 15 September 2005

Business segments	Grocery £m	Primary Food £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing operations	2 604	802	747	620	1,006	-	(165)	5,614
Businesses disposed	-	-	11	-	-	-	(3)	8
Internal revenue	(14)	(102)	(15)	(37)	-	-	168	-
Revenue from external customers	2,590	700	743	583	1,006	-	-	5,622
Adjusted operating profit	185	166	20	65	140	(1)	-	575
Amortisation of intangibles	(5)	-	-	(20)	-	-	-	(25)
Profits less losses on sale of property,								-
plant & equipment	(1)	24	(3)	-	-	-	-	20
Profits less losses on sale of businesses	1	-	3	-	-	(5)	-	(1)
Provision for loss on termination of an operation	-	-	-	-	-	(47)	-	(47)
Profit before financial income, expenses and taxation	180	190	20	45	140	(53)	-	522
Financial income						204	-	204
Financial expenses						(237)	-	(237)
Income tax expense						(126)	-	(126)
Profit for the period	180	190	20	45	140	(212)	-	363
Segment assets (excl investments in associates and joint ventures)	1,756	663	160	923	872	262	-	4 636
Investment in associates and joint ventures	5	5	25	16	-		-	51
Segment assets	1,761	668	185	939	872	262	-	4,687
Cash and cash equivalents						777		777
Employee benefits asset						95	-	95
Deferred tax assets						76	-	76
Other investments						269	-	269
Segment liabilities	(348)	(96)	(55)	(99)	(230)	(957)	-	(1,785)
Interest bearing loans and overdrafts						(83)	-	(83)
Income tax						(106)	-	(106)
Deferred tax liabilities						(232)	-	(232)
Employee benefits liability						(13)	-	(13)
Net assets	1,413	572	130	840	642	88	-	3,685
Capital expenditure	109	38	7	25	228	-	-	407
Depreciation	68	35	6	24	28	-	-	161
Amortisation	5	-	-	20	-	-	-	25
Other significant non-cash expenses	14	-	-	5	-	47	-	66

Geographical segments	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	2 824	720	1,102	976	-	5,622
Segment assets	2,305	717	954	711	-	4 687
Capital expenditure	263	54	21	69	-	407
Depreciation	94	15	24	28	-	161
Amortisation	2	10	10	3	-	25
Other significant non-cash expenses	51	5	8	2	-	66

Other significant non-cash expenses includes a provision of £47m for costs associated with the termination of Littlewoods

Notes forming part of the financial statements continued

2 Operating costs and gross profit

	Note	Before exceptional items 2006 £m	Exceptional items 2006 £m	Total 2006 £m	2005 £m
Operating costs					
Cost of sales (including amortisation of intangibles)		**4,338**	**97**	**4,435**	4,054
Distribution costs		**770**	**-**	**770**	722
Administration expenses		**364**	**-**	**364**	303
		5,472	**97**	**5,569**	5,079
Gross Profit		**524**	**(97)**	**427**	543

	Note	Total 2006 £m	2005 £m
Operating costs are stated after charging/(crediting)			
Employee benefits expense	3	**837**	767
Amortisation of intangibles		**41**	25
Depreciation of owned property plant & equipment		**177**	161
Operating lease payments under property leases		**56**	31
Operating lease payments for hire of plant and equipment		**6**	6
Other operating income		**(35)**	(20)
Research and development expenditure		**12**	11
Impairment of trade receivables		**(1)**	3
Foreign exchange gains on operating activities		**(3)**	(15)
Foreign exchange losses on operating activities		**5**	15
Group audit remuneration		**3.0**	2.8
Non-audit remuneration			
UK - tax		**0.9**	1.0
- transaction due diligence		**0.2**	0.7
- other assurance		**0.8**	1.1
		1.9	2.8
Overseas - tax		**1.0**	0.6
- other assurance		**0.5**	-
		3.4	3.4

On 4 July 2006 the group announced its intention to close two UK sugar factories following completion of the 2006/7 campaign As a result the group has recorded an exceptional charge of £97m of which £64m relates to the impairment of property, plant & equipment and £33m to restructuring charges Details of the impairment charges are disclosed in note 10 The restructuring charge relates to redundancy costs of £17m and other costs to which the group is committed primarily compensation of £16m payable to growers

Notes forming part of the financial statements continued

3 Employees

	2006	2005
Average number of employees		
United Kingdom	**24,175**	20 835
Europe, Middle East & Africa	**4,917**	4,830
The Americas	**4,544**	4,196
Asia Pacific	**12,965**	12,420
	46,601	42,281
	£m	£m
Employee benefits expense		
Wages and salaries	**714**	657
Social security contributions	**57**	50
Contributions to defined contribution schemes	**21**	19
Charge for defined benefit schemes	**45**	41
	837	767

4 Financial income

	Note	2006	2005
Interest income on bank deposits and investments		**28**	40
Interest received on deposits with parent company		**79**	46
Gain on remeasurement of other investments at fair value through profit and loss		**1**	5
Foreign exchange gain on financing activities		**1**	-
Expected return on pension scheme assets	13	**116**	113
		225	204

5 Financial expenses

	Note	2006	2005
Interest expense on bank loans		**4**	6
Interest expense on short-term loans from parent company		**94**	112
Interest expense on other loans		**16**	16
Foreign exchange losses on financing activities		**2**	-
Interest expense on finance leases		**1**	-
Interest charge on pension scheme liabilities	13	**103**	103
		220	237

Notes forming part of the financial statements continued

6. Remuneration of directors

	2006 £'000	2005 £'000
Directors emoluments	**915**	1,295

The aggregate of emoluments paid to the highest paid director was £747,000 (2005 £670 000)

	Number of directors 2006	2005
Retirement benefits are accruing to the following number of directors under -		
Defined benefit schemes	**2**	2

7 Income tax expense

	2006 £m	2005 £m
Current tax expense		
UK - corporation tax at 30% (2005 30%)	**42**	69
Overseas corporation tax	**46**	49
Over provided in prior years	**-**	(1)
	88	117
Deferred tax expense		
UK deferred tax	**21**	(2)
Overseas deferred tax	**8**	12
Over provided in prior years	**(1)**	(1)
Total income tax expense in income statement	**116**	126
Reconciliation of effective tax rate		
Profit before taxation	**440**	489
Less share of profit from joint ventures and associates	**(10)**	(7)
Profit before taxation excluding share of profit from joint ventures and associates	**430**	482
Nominal tax charge at UK corporation tax rate of 30% (2005 30%)	**129**	145
Lower tax rates on overseas earnings	**(23)**	(25)
Expenses not deductible for tax purposes	**11**	5
Utilisation of losses	**-**	(1)
Deferred tax not recognised	**-**	3
Adjustments in respect of prior periods	**(1)**	(1)
	116	126

8 Dividends

	2006 £m	2005 £m
Interim dividends	**180**	150

The first interim dividend of £100m was paid on 4 February 2006 The second interim dividend of £80m was paid on 21 July 2006 No final dividend is proposed

Notes forming part of the financial statements continued

9 Intangible assets

	Goodwill £m	Technology £m	Brands £m	Customer relationships £m	Grower Agreements £m	Other £m	Total £m
Cost							
At 18 September 2004	485	-	45	-	-	-	530
Acquisitions through business combinations	291	173	79	28	-	-	571
Effect of movements in foreign exchange	6	5	2	1	-	-	14
At 17 September 2005	**782**	**178**	**126**	**29**	**-**	**-**	**1,115**
Acquisitions through business combinations	191	26	36	29	161	14	457
Other acquisitions - externally purchased	-	5	1	-		4	10
Effect of movements in foreign exchange	(22)	(5)	(5)	(2)	-	(3)	(37)
At 16 September 2006	**951**	**204**	**158**	**56**	**161**	**15**	**1,545**
Amortisation and impairment							
At 18 September 2004	-	-	-	-			-
Amortisation for the year	-	11	9	5			25
At 17 September 2005	**-**	**11**	**9**	**5**	**-**	**-**	**25**
Amortisation for the year	-	19	15	7			41
Effect of movements in foreign exchange	-	(1)	-	-	-		(1)
At 16 September 2006	**-**	**29**	**24**	**12**	**-**	**-**	**65**
Net book value							
Net book value at 18 September 2004	485	-	45	-	-	-	530
Net book value at 17 September 2005	782	167	117	24	-		1,090
Net book value at 16 September 2006	**951**	**175**	**134**	**44**	**161**	**15**	**1,480**

Amortisation charges and impairment charges are recognised within operating costs in the income statement

Significant intangible assets details

	Description	Net book value £m	Remaining amortisation period
Intangible assets arising from US herbs and spices acquisition	Brands	38	13 years
Intangible assets arising from Yeast and Bakery Ingredients acquisition	Technology	139	13 years
	Brands	51	13 years
	Customer relationships	17	3 years
Intangible assets arising from Illovo Sugar Limited acquisition	Technology	6	5 years
	Brands	8	3 years
	Customer relationships	25	5 years
	Grower Agreements	161	10 years
	Other	13	4 years

Impairment

Goodwill

As at 16 September 2006, the consolidated balance sheet included goodwill of £951m In accordance with the requirements of IAS 36, *Impairment of Assets* goodwill is allocated to the group s cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows

Cash generating unit (CGU) or group of CGUs	Primary reporting segment	2006 £m	2005 £m
ACH	Grocery	**208**	216
AB Mauri	Ingredients	**232**	232
Twinings/Ovaltine	Grocery	**60**	60
Capullo	Grocery	**58**	58
Illovo	Primary	**148**	-
Other *	Various	**245**	216
		951	782

* The amount of goodwill allocated to each CGU or group of CGUs is not individually significant

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually and whenever there is an indication of impairment

There have been no indications of impairment relating to the CGUs of groups of CGUs to which goodwill has been allocated and, accordingly, the disclosures that follow relate to the impairment test that is required to be conducted on an annual basis

- The carrying value of goodwill has been assessed with reference to value in use to perpetuity reflecting the projected cash flows of each of the CGUs or group of CGUs based on the most recent budget Growth rates for the period not covered by the budget are based on a range of growth rates that reflect the products, industries and countries in which the relevant CGU or groups of CGUs operate

- The key assumptions on which the cash flow projections for the most recent budget are based relate to discount rates growth rates and changes in selling expenses and direct costs

- The cash flow projections have been discounted using a range of rates that reflect the group's pre-tax cost of capital The rates used vary between 8% and 11%

- The growth rates applied in the value in use calculations for goodwill allocated to each of the CGUs, or groups of CGUs, that is significant to the total carrying amount of goodwill were in a range between 0% and 2 5%

- Changes in selling price and direct costs are based on past results and expectations of future changes in the market

10 Property, plant & equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 18 September 2004	757	1 478	307	48	2,590
Acquired through business combinations	478	96	1	1	576
Other acquisitions	156	141	98	12	407
Businesses disposed	(8)	(24)	(2)	-	(34)
Other disposals	(12)	(52)	(18)	-	(82)
Effect of movements in foreign exchange	10	29		3	42
At 17 September 2005	1,381	1 668	386	64	3,499
Acquired through business combinations	47	124	5	5	181
Other acquisitions	25	72	290	95	482
Businesses disposed	(3)	(25)		-	(28)
Other disposals	(149)	(69)	(12)	-	(230)
Transferred to non-current assets held for sale	(27)	(2)		-	(29)
Transfers from assets under construction	22	61	2	(85)	
Effect of movements in foreign exchange	(12)	(19)	(2)	(2)	(35)
At 16 September 2006	**1,284**	**1,810**	**669**	**77**	**3,840**
Depreciation and impairment					
At 18 September 2004	171	843	129		1 143
Depreciation for the year	19	107	35		161
Businesses disposed	(1)	(16)	(2)		(19)
Other disposals	(7)	(37)	(17)		(61)
Effect of movements in foreign exchange	2	18	-		20
At 17 September 2005	184	915	145	-	1,244
Depreciation for the year	19	119	39	-	177
Impairment charge	23	41	-	-	64
Businesses disposed	(3)	(23)	-	-	(26)
Other disposals	(2)	(62)	(11)	-	(75)
Transferred to non current assets held for sale	(6)	(1)	-	-	(7)
Effect of movements in foreign exchange	(2)	(14)	-	-	(16)
At 16 September 2006	**213**	**975**	**173**	-	**1,361**
Net book value at 18 September 2004	586	635	178	48	1,447
Net book value at 17 September 2005	1,197	753	241	64	2,255
Net book value at 16 September 2006	**1,071**	**835**	**496**	**77**	**2,479**

	2006 £m	2005 £m
Net book value of finance lease assets	**12**	12
Non-depreciable land	**72**	77
Land and buildings at net book value comprise		
- Freehold	**871**	958
- Long leasehold	**151**	169
Short leasehold	**49**	70
	1,071	1,197
Capital expenditure commitments contracted but not provided for	**158**	77

Impairment

UK sugar operations

The reform of the EU sugar regime has impacted adversely on the performance of the group's European sugar operations and is expected to have further adverse consequences in the future Management has considered the impact of the reform of the EU sugar regime on the group's operations and on 4 July 2006 announced its intention to close two UK factories following the 2006/7 Campaign As a result, the carrying value and useful lives of the factories to be closed have been assessed for impairment

The carrying value of each of the two factories to be closed has been assessed separately for impairment on the basis their value in use The cash flow projections used for this purpose are based on the most recent budget resulting in an impairment charge of £64m being recognised in the income statement The impairment has been recognised as a depreciation charge, recorded in operating costs in the income statement, and is included within the Primary Food segment

Notes forming part of the financial statements continued

11 Biological Assets

	Current growing cane £m	Non-current cane roots £m	Total £m
Carrying Value			
At 17 September 2005	-	-	
Acquired through business combinations	51	47	98
Effect of movements in foreign exchange		(1)	(1)
At 16 September 2006	**51**	**46**	**97**
Cane roots			
Area under cane as at 16 September 2006		**Hectares**	
South Africa		10,668	
Malawi		18,381	
Zambia		11,030	
Swaziland		7,946	
Tanzania		8,003	
Mozambique		3,671	
		59,699	

Growing cane

The following assumptions have been used in the determination of the estimated sucrose tonnage at 16 September 2006

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	6,173	18,072	10,948	7,572	7,815	3,649
Estimated yield (tonnes cane/hectare)	69 0	109 0	118 0	105 9	76 0	102 1
Average maturity of cane	56 10%	66 67%	66 67%	66 67%	50 00%	66 67%

12 Investments in joint ventures and associates

	Joint Ventures Shares £m	Joint Ventures Goodwill £m	Joint Ventures Total £m	Associates Shares £m
At 18 September 2004	12		12	11
Additions	23	-	23	2
Profit for the period	3		3	4
Dividends received	(2)		(2)	(2)
Goodwill arising on acquisition of new joint ventures	-	6	6	-
Transfer to subsidiary	(5)	-	(5)	-
Disposals	(1)		(1)	-
At 17 September 2005	**30**	**6**	**36**	**15**
Additions	5		5	2
Profit for the period	5		5	5
Dividends received	(1)		(1)	(3)
Goodwill arising on acquisition of new joint ventures	-	8	8	-
Transfer from associates	3		3	(3)
Transfer to subsidiary	(2)		(2)	-
Effect of movement in foreign exchange	-		-	(1)
At 16 September 2006	**40**	**14**	**54**	**15**

Details of the principal joint ventures and associates are given on page 37

Included in the consolidated financial statements are the following items that erpresent the group's share of the assets, liabilities and profit of joint ventures and associates

	Joint ventures 2006 £m	Joint ventures 2005 £m	Associates 2006 £m	Associates 2005 £m
Non-current assets	**21**	19	**7**	7
Current assets	**95**	79	**44**	53
Current liabilities	**(76)**	(68)	**(35)**	(44)
Non-current liabilities	**-**	-	**(1)**	(1)
Goodwill	**14**	6	**-**	-
Net Assets	**54**	36	**15**	15
Revenue	**314**	160	**22**	14
Expenses	**(308)**	(156)	**(15)**	(8)
Taxation	**(1)**	(1)	**(2)**	(2)
Profit for the period	**5**	3	**5**	4
Dividends received	**(1)**	(2)	**(3)**	(2)
Transfer to retained earnings	**4**	1	**2**	2

13 Employee entitlements

The group operates pension schemes, the majority of which are of the defined benefit type The group's principal UK defined benefit schemes are closed to new members, with defined contribution arrangements in place for these members The pension costs in the UK for the defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries using the projected unit method For the defined contribution schemes, the pension costs are the contributions payable

Actuarial gains and losses arising over the financial year are recognised immediately in the statement of recognised income and expenditure, and are reflected in the balance sheet at 16 September 2006 Past service cost is recognised immediately to the extent that the benefits have already vested

The last actuarial valuations of the British Sugar Pension Scheme and the Associated British Foods Pension Scheme were carried out as at 1 October 2004 and 5 April 2005 respectively At the valuation dates the total market value of the assets of these schemes was £1 869m and represented 97% of the benefits that had accrued to members after allowing for expected future increases in earnings

On 6 April 2006, the British Sugar Pension Scheme was merged into the Associated British Foods Pension Scheme Their respective funding positions were recalculated at that point and the group agreed to make two payments of £14 5m, the first in October 2006 and the second in October 2007, to eliminate the deficit at 6 April 2006 in the British Sugar section of the newly-merged scheme

The group also operates defined benefit pension schemes in Australia and New Zealand, the United States the Republic of Ireland, Switzerland, Norway, Germany, France and the Philippines With the acquisition of Illovo Sugar Ltd on 4 September 2006 the group also now operates defined benefit schemes in South Africa and Zambia, both of which are closed to new members The charge for the year is based on recommendations by qualified actuaries For definded contribution schemes, the pension costs are the contributions payable

Assumptions

The financial assumptions used to value the UK pension schemes under IAS 19 together with the expected long term rates of return on assets are

	2006 %	2005 %	2004 %
Discount rate	5 10	5 00	5 60
Inflation	3 00	2 80	2 80
Rate of increase in salaries	4 50	4 50	4 80
Rate of increase for pensions in payment	2 80	2 50	2 80
Rate of increase for pensions in deferment (where provided)	3 00	2 80	2 80

The mortality assumptions used to value the UK pension schemes are derived from the PA92 generational mortality tables with medium cohort improvements, as published by the Institute of Actuaries The mortality rates underlying these tables have been adjusted to take account of the scheme's actual experience

Examples of the resulting life expectancies are as follows,

Life expectancy from age 65 (in years)	Male	Female
Member aged 65 in 2006	19 3	22 1
Member aged 65 in 2026	20 3	23 0

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension schemes

For some of the overseas schemes regionally appropriate assumptions have been used where recommended by local actuaries

Balance Sheet

The expected rates of return and market values of the assets of the principal schemes were as follows

UK schemes	2006 %	2006 £m	2005 %	2005 £m	2004 %	2004 £m
Expected long-term rates of return						
Equities	7 30	806	6 50	774	7 00	666
Government bonds	4 30	481	4 30	693	4 80	592
Non-government bonds	5 10	728	5 00	449	5 60	443
Property	5 80	86	5 80	68	6 30	67
Other	4 80	90	4 50	57	4 80	40
Total market value of assets		2191		2041		1808
Present value of scheme liabilities		(2,035)		(1 941)		(1,728)
Aggregate net surplus of the plans		156		100		80
Irrecoverable surplus (a)		-				-
Net pension asset		156		100		80

Overseas schemes	2006 %	2006 £m	2005 %	2005 £m	2004 %	2004 £m
Expected long-term rates of return						
Equities	8 65	122	6 95	79	6 90	58
Government bonds	5 70	27	4 85	17	4 10	40
Non-government bonds	4 00	25	7 00	24	5 80	-
Property	6 00	5	6 00	5	6 40	4
Other	3 85	23	6 15	16	3 60	5
Total market value of assets		202		141		107
Present value of scheme liabilities		(190)		(159)		(102)
Aggregate net surplus/(deficit) of the plans		12		(18)		5
Irrecoverable surplus (a)		(36)		-		-
Net pension asset/(liability)		(24)		(18)		5
Unfunded liability included in the present value of scheme liabilities above		(19)		(8)		(4)

(a) The surplus in the plans is only recoverable to the extent that the Group can benefit from either refunds formally agreed or future contribution reductions

The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the long term rate of return on government bonds available at the balance sheet date and applies to these rates suitable risk premia that take account of historic market returns and current market long term expectations for each asset class

Notes forming part of the financial statements continued

13 Employee entitlements continued

Income statement

The charge to the income statement comprises

	2006 £m	**2005 £m**
Charged to operating profit		
Defined benefit plans		
Current service cost	**(46)**	(40)
Past service cost	**-**	(1)
Gain on curtailment	**1**	-
Defined contribution plans	**(21)**	(19)
Total operating cost	**(66)**	(60)
Reported in losses on sale of businesses		
Past service cost	**-**	(4)
Gain on curtailment	**-**	4
Net credit in relation to the sale of businesses	**-**	
Reported in financial income and financial expenses		
Expected return on assets	**116**	113
Interest on retirement benefit obligations	**(103)**	(103)
Total other finance income / (cost)	**13**	10
Net impact on the income statement (before tax)	**(53)**	(50)

The actual return on scheme assets was £192m (2005 £268m)

Cash flow

Group cash flow in respect of pensions comprises contributions paid to funded plans and benefits paid by the Company in respect of unfunded plans In 2006, the benefits paid in respect of unfunded plans was nil (2005 nil) Company contributions to funded defined benefit plans are subject to periodic review In 2006, contributions to funded defined benefit plans amounted to £48m Contributions to defined contribution plans amounted to £21m (2005 - £19m)

Total contributions to funded plans and benefit payments by the Group in respect of unfunded plans are currently expected to be about £67m in 2007 (2006 £48m)

Statement of recognised income and expense

Amounts recognised in the statement of recognised income and expense

	2006 £m	**2005 £m**
Actual return less expected return on pension scheme assets	**75**	155
Experience gains and loses arising on the scheme liabilities	**4**	77
Changes in assumptions underlying the present value of the scheme liabilities	**(30)**	(238)
	49	(6)
Change in unrecognised surplus	**(6)**	-
Net actuarial gain/(loss) recognised in statement of recognised income and expense (before tax)	**43**	(6)

Cumulative actuarial gains from 19 September 2004 reported in the statement of recognised income and expense are £36m (2005 £(6)m)

Reconciliation of change in assets and liabilities	**2006 Assets £m**	**2005 Assets £m**	**2006 Liabilities £m**	**2005 Liabilities £m**
Asset/(liability) at beginning of year	2,182	1,915	(2 100)	(1,830)
Current service cost	-	-	(46)	(40)
Employee contributions	11	10	(11)	(10)
Acquisitions/Disposals	60	8	(37)	(24)
Transfer from parent company	-		(2)	-
Employer Contributions	48	50		-
Benefit payments	(94)	(71)	94	71
Past service cost	-	-	-	(5)
Gain on curtailments	-	-	1	4
Other financial income	116	113	-	
Other financial cost	-	-	(103)	(103)
Actuarial gain/(loss)	75	155	(26)	(161)
Currency retranslation	(5)	2	5	(2)
Asset/(liability) at end of year	2,393	2 182	(2,225)	(2,100)

History of experience gains and losses	**2006**	**2005**	**2004**	**2003**
Difference between the expected and actual return on scheme assets				
amount (£m)	75	155	(5)	45
percentage of scheme assets	3 1%	7 1%	0 3%	2 4%
Experience gains and losses on scheme liabilities				
- amount (£m)	4	77	22	(3)
- percentage of scheme liabilities	0 2%	3 7%	1 2%	0 1%
Total amount included in the statement of recognised income and expense				
- amount (£m)	49	(6)	43	95
percentage of scheme liabilities	2 2%	0 3%	2 3%	5 3%

14 Deferred tax assets and liabilities

	£m
At 18 September 2004	(126)
Amount charged to the income statement	(9)
Amount charged to the statement of recognised income and expense	(1)
Acquisitions	(20)
At 17 September 2005	(156)
On implementation of IAS 32 and IAS 39 on 18 September 2005	(2)
At 17 September 2005 (restated)	(158)
Amount charged to the income statement	(29)
Amount credited to the statement of recognised income and expense	(8)
Acquisitions	(123)
At 16 September 2006	(318)

The analysis of the deferred tax position is as follows

	2006 £m	2005 £m
Property, plant and equipment	(183)	(129)
Intangible assets	(99)	(24)
Employee benefits	(47)	(28)
Foreign exchange commodity financial assets and liabilities	2	-
Other temporary differences	(25)	(8)
Tax value of carry-forward losses recognised	34	33
	(318)	(156)

	2006 £m	2005 £m
Analysed as		
- Deferred tax assets	80	76
- Deferred tax liabilities	(398)	(232)
	(318)	(156)

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned There are other deferred tax assets totalling £2m (2005 £6m) that have not been recognised on the basis that their future economic benefit is uncertain

In addition, there are temporary differences of £834m (2005 £733m) relating to investments in subsidiaries and joint ventures No deferred tax has been provided in respect of these differences since the timing of the reversals can be controlled and it is probabale that the temporary differences will not reverse in the future

Notes forming part of the financial statements continued

15 Receivables

	2006 £m	2005 £m
Non-current other receivables		
Long-term promissory note receivable	2	-
Net loans receivable from parent company	475	67
Other receivables	3	-
	480	67
Current - trade and other receivables		
Trade receivables	565	484
Amounts owed by joint ventures and associates	27	29
Prepayments and accrued income	199	56
Fair value derivatives	17	-
Other receivables	96	90
	904	659
Impairment of trade receivables during the period	(1)	3

The directors consider that the carrying amount of receivables approximates their fair value

16. Assets and liabilities classified as held for sale

On 4 October 2006, with effect from 29 September 2006 the group sold its Scandinavian distribution business, Haugen-Gruppen ('Haugen'), to Icelandic distribution business Innnes Haugen, which is part of the Grocery segment comprised three businesses in Sweden, Denmark and Norway The decision to sell was taken because the businesses were not core to group activities, and scale and focus benefits available to another distribution business meant Haugen was more valuable to the buyer than to the group As at 16 September 2006 the disposal group comprised assets of £38m less liabilities of £11m

Also included in the table below, in property, plant & equipment are various properties classified as held for sale of £15m (2005 £9m), within the Grocery, Agriculture and Ingredients segments, that the group expects to dispose of in the next 12 months

	2006 £m	2005 £m
Assets classified as held for sale		
Property, plant & equipment	22	9
Inventories	11	-
Trade and other receivables	13	-
Cash and cash equivalents	7	-
	53	9
Liabilities held for sale		
Trade and other payables	9	-
Income tax	1	-
Employee benefits liability	1	-
	11	-

17 Inventories

	£m	£m
Raw materials and consumables	**217**	191
Work in progress	**9**	10
Finished goods and goods for resale	**455**	355
	681	556
Write down of inventories	**17**	26

18 Other investments

	2006 £m	2005 £m
Current		
Investments at fair value through the profit and loss	**53**	269
Available for sale investments	**53**	269

Investments at fair value through the profit and loss are debt securities, equity securities and time deposits that present the group with an opportunity to generate returns through interest income and trading gains

19 Cash and cash equivalents

	2006 £m	2005 £m
Cash at bank and in hand	**253**	294
Cash equivalents	**30**	483
Cash and cash equivalents in the balance sheet	**283**	777
Cash and cash equivalents included in assets held for sale	**7**	-
Bank overdrafts (included in note 20)	**(158)**	(35)
Cash and cash equivalents in the statement of cash flows	**132**	742

20 Interest bearing loans and overdrafts

This note provides information about the contractual terms of the group's interest-bearing loans and borrowings For more information about the group's exposure to interest rate and currency risk, see note 26

	2006 £m	2005 £m
Current liabilities		
Secured bank loans	**15**	28
Unsecured bank loans and overdrafts	**165**	55
	180	83
Non-current liabilities		
10 3/4% secured redeemable debenture stock 2013	**150**	150
Secured bank loans	**9**	-
Unsecured bank loans	**5**	12
Finance lease liabilities	**12**	12
	176	174
	356	257

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

20 Interest - bearing loans and overdrafts continued

Terms and repayment schedule

	Bank loans and overdrafts		Redeemable debenture stock		Finance lease liabilities		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Within one year or on demand	180	83	-	-	-	-	180	83
Between one and two years	5	8	-	-	-	-	5	8
Between two and three years	5	4	-	-	-	-	5	4
Between three and five years	4	-	-		-	-	4	-
After five years	-	-	150	150	12	12	162	162
	194	95	150	150	12	12	356	257

Borrowing facilities

The group has various borrowing facilities available to it The undrawn committed facilities available to the group in respect of which all conditions precedent have been met, are as follows

	2006 £m	2005 £m
Expiring within one year	-	11
Expiring between one and five years		
Expiring after five years		
	-	11

Since the year end the group's immediate parent company refinanced its external borrowings and has negotiated a multi-currency US$1 2bn syndicated loan facility with a term of five years and with two one-year extension options It will be used for general corporate purposes The new facility has been provided by the group s existing bank group

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2006 £m	Interest 2006 £m	Principal 2006 £m	Minimum lease payments 2005 £m	Interest 2005 £m	Principal 2005 £m
Within one year	1	1		1	1	-
Between one and five years	3	3	-	3	3	-
After five years	43	31	12	44	32	12
	47	35	12	48	36	12

Under the terms of the lease agreements no contingent rents are payable

Notes forming part of the financial statements continued

21 Trade and other payables

	2006 £m	2005 £m
Trade payables	**444**	368
Accruals and deferred income	**483**	353
Fair value derivatives	**25**	-
Amounts owed to parent company	**626**	777
Other payables	**27**	23
	1,605	1,521

The directors consider that the carrying amount of trade and other payables approximates their fair value

22 Provision for liabilities and charges

	Restructuring £m	Other £m	Total £m
At 17 September 2005	61	29	90
Provisions made during the year	47	8	55
Provisions utilised during the year	(62)	(7)	(69)
Provisions reversed during the year	(2)	(8)	(10)
Acquisitions	2	3	5
Effect of movements in foreign exchange	-	(1)	(1)
At 16 September 2006	**46**	**24**	**70**
Current	44	5	49
Non current	2	19	21
	46	**24**	**70**

Restructuring

Restructuring provisions relate to the cash costs including redundancy, associated with the group's announced reorganisation plans, the majority of which will be utilised in 2006/7

Other

Other provisions mainly comprise potential warranty claims arising from the disposal of businesses The extent and timing of the utilisation of these provisions is more uncertain given the period of the relevant warranties

Notes forming part of the financial statements continued

23 Capital and reserves

Reconciliation of movement in capital and reserves

	Attributable to equity shareholders								
	Issued capital £m	Other reserves £m	Capital contribution reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 18 September 2004 (restated)	214	1		-	-	3,210	3,425	27	3,452
Actuarial losses on net pension assets	-			-	-	(6)	(6)	-	(6)
Effect of movements in foreign exchange	-	-	-	32	-	-	32	1	33
Tax effect on movements in foreign exchange	-	-	-	(1)	-	-	(1)	-	(1)
Profit for the year	-	-	-	-	-	356	356	7	363
Dividends paid to shareholders	-	-		-	-	(150)	(150)	-	(150)
Dividends paid to minorities	-			-	-	-		(4)	(4)
Acquisitions and minority buy outs	-	-	-	-		-		(2)	(2)
At 17 September 2005	214	1	-	31	-	3,410	3,656	29	3,685
Opening IAS 32/39 adjustment	-	-	-	-	7	-	7	-	7
At 17 September 2005 (restated)	214	1	-	31	7	3,410	3,663	29	3,692
Actuarial gains on net pension assets	-	-	-	-	-	43	43	-	43
Deferred tax associated with net pension assets	-	-	-	-	-	(12)	(12)	-	(12)
Effect of movements in foreign exchange	-	-	-	(75)	-	-	(75)	(1)	(76)
Profit for the year	-	-	-	-	-	317	317	7	324
Capital contribution received	-	-	283	-	-	-	283	-	283
Dividends paid to shareholders	-	-	-	-	-	(180)	(180)	-	(180)
Dividends paid to minorities	-	-	-	-	-	-	-	(6)	(6)
Acquisitions and minority buy outs	-	-	-	-	-	-	-	195	195
Movement of cash flow hedging position	-	-	-	-	(17)	-	(17)	-	(17)
Deferred tax associated with movement of cash flow hedging position	-	-	-	-	4	-	4	-	4
At 16 September 2006	214	1	283	(44)	(6)	3,578	4,026	224	4,250

Share capital

	Ordinary shares of 5p each '000	Nominal value £m
Authorised		
At 17 September 2005 and 16 September 2006	600,000	30
Issued and fully paid		
At 17 September 2005 and 16 September 2006	449,815	22

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the group's net investment in foreign subsidiaries

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes forming part of the financial statements continued

24 Acquisitions and disposals

During the year, the group purchased Illovo Sugar Limited ("Illovo"), completed a number of small acquisitions and disposed of its interests in a number of small businesses

Acquisitions

The acquisitions had the following effect on the group's assets and liabilities

2006		Illovo		Other		Total	
		Pre-acquisition carrying amounts	Recognised values on acquistion	Pre-acquisition carrying amounts	Recognised values on acquistion	Pre-acquisition carrying amounts	Recognised values on acquistion
Net Assets	Note	£m	£m	£m	£m	£m	£m
Intangible assets		2	213	-	53	2	266
Property, plant & equipment		128	166	18	15	146	181
Investments in joint ventures and associates		-	-	4	4	4	4
Inventories		103	106	14	12	117	118
Biological assets		98	98	-	-	98	98
Trade and other receivables		80	80	18	17	98	97
Cash and cash equivalents		19	19	7	7	26	26
Trade and other payables		(94)	(94)	(14)	(14)	(108)	(108)
Overdrafts		(113)	(113)	-	-	(113)	(113)
Interest bearing loans and borrowings		(19)	(19)	(3)	(3)	(22)	(22)
Intercompany debt			-	(2)	(2)	(2)	(2)
Provisions		(4)	(4)	(1)	(1)	(5)	(5)
Taxation		(40)	(110)	(1)	(13)	(41)	(123)
Employee benefits		(7)	(7)	-		(7)	(7)
Net identifiable assets and liabilities		153	335	40	75	193	410
Goodwill on acquisitions	9		148		43		191
Goodwill on acquisition of joint ventures					8		8
Minority interests acquired/disposed of			(195)		(2)		(197)
Total consideration			288		124		412
Satisfied by							
Cash consideration			288		121		409
Deferred consideration			-		1		1
Interest in joint venture			-		2		2
Net cash							
Cash consideration			288		121		409
Cash acquired/overdraft disposed			94		(7)		87
			382		114		496

There were no material differences between pre acquisition carrying amounts and amounts recognised on acquisition, which include fair value adjustments to the assets and liabilities acquired, with the exception of £211m of intangibles which were recognised on acquisition of Illovo, a £38m adjustment to property plant and equipment and a £70m adjustment to deferred tax

Acquisition of Illovo Sugar Ltd ('Illovo')

The acquisition of Illovo, the African cane sugar producer was completed on 4 September 2006 The group acquired 51% of the shares in the company for £286m satisfied in cash £2m of acquisition costs were also incurred in relation to this acquisition The subsidiary contributed net profit of nil to the consolidated net profit for the year, since acquisition date The contribution to group revenue and net profit, had the acqusition occurred at the beginning of the year, has not been disclosed as it would be impracticable to determine these amounts due to the following reasons

(i) Illovo has a different year end to the group,
(ii) Whilst information is publicly available, it is not sufficient to determine accurately the fair value adjustments that would have been made to the balance sheet one year ago, and
(iii) The impact on world sugar markets as a result of the reform of the sugar regime may make disclosing Illovo's results for the last 12 months misleading in this context

A summary of Illovo's reported results for their most recent full year are shown below

	2006
Income statement for the year ended 31 March 2006	**Rm**
Revenue	5,468 8
Cost of sales	(3,448 8)
Gross profit	2 020 0
Distribution expenses	(419 2)
Administratives expenses	(621 0)
Other operating expenses	(228 3)
Operating profit	751 5
Dividend income	1 0
Net interest expense	(101 9)
Profit before taxation and material items	650 6
Material items	3 5
Profit before taxation	654 1
Taxation	(197 3)
Profit for the period	456 8
Attributable to	
Shareholders of Illovo Sugar Ltd	357 7
Minority Interest	99 1
	456 8

24 Acquisitions and disposals continued

2005		Littlewoods		Yeast		Other		Total	
		Pre-acquisition carrying amounts	Recognised values on acquistion	Pre-acquisition carrying amounts	Recognised values on acquistion	Pre-acquisition carrying amounts	Recognised values on acquistion	Pre-acquisition carrying amounts	Recognised values on acquistion
Net Assets	Note	£m	£m	£m	£m	£m	£m	£m	£m
Intangible assets		-	-	-	244	-	36	-	280
Property, plant & equipment		342	419	147	147	10	10	499	576
Investments in joint ventures and associates		-	-	8	8	18	18	26	26
Inventories		19	19	29	37	5	5	53	61
Trade and other receivables		19	19	62	62	8	8	89	89
Cash and cash equivalents		6	6	33	33	4	4	43	43
Trade and other payables		(44)	(44)	(55)	(55)	(6)	(6)	(105)	(105)
Interest bearing loans and borrowings			(12)	(3)	(3)	(1)	(1)	(4)	(16)
Provisions		(3)	(3)	-	-	-	-	(3)	(3)
Taxation		3	(31)	(7)	10	1	(8)	(3)	(29)
Employee benefits		-	-	(13)	(13)	-	-	(13)	(13)
Net identifiable assets and liabilities			373		470		66		909
Goodwill on acquisitions	9		34		231		26		291
Goodwill on acquisition of joint ventures			-		-		6		6
Minority interests acquired			-		(7)		9		2
Total consideration			407		694		107		1,208
Satisfied by									
Cash consideration			413		690		88		1,191
Deferred consideration			(6)				13		7
Shares in subsidiary undertaking			-		4		-		4
Interest in joint venture			-		-		6		6
Net cash									
Cash consideration			413		690		88		1,191
Cash acquired/overdraft disposed			(6)		(33)		(4)		(43)
			407		657		84		1,148

Disposals

The disposals had the following effect on the group's assets and liabilities

	Carrying values 2006 £m	Carrying values 2005 £m
Net assets		
Property, plant & equipment	2	15
Investments in joint ventures and associates	-	1
Inventories	-	28
Trade and other receivables	-	42
Overdrafts	-	(5)
Trade and other payables	-	(74)
Interest-bearing loans and borrowings	(2)	-
Intercompany debt	(4)	-
Net identifiable assets and liabilities	(4)	7
Minority interests disposed of	2	-
Recycle of foreign exchange differences	2	-
Loss on disposal	(4)	(1)
Total consideration	(4)	6
Satisfied by		
Cash consideration	-	2
Interest in joint venture	(4)	4
Net cash		
Cash consideration	-	2
Cash received in respect of prior year disposals	-	1
Cash acquired/overdraft disposed	-	5
	-	8

Costs associated with acquisitions and disposals are included within cash consideration

25 Analysis of net funds/(debt)

	At 17 September 2005 £m	Cash flow £m	Acquisitions/ disposals £m	Exchange adjustments £m	At 16 September 2006 £m
Cash at bank and in hand, cash equivalents and overdrafts	742	(605)	-	(5)	132
Short term borrowings	(48)	33	(6)	(1)	(22)
Investments	269	(216)	-	-	53
Loans over one year	(174)	-	(14)	12	(176)
	789	(788)	(20)	6	(13)

26 Financial instruments

The principal financial risks to which the group is exposed are foreign currency exchange rate risk, interest rate risk, commodity price risk and credit risk

In accordance with the option allowed by IFRS 1, the group has adopted IAS 39 and IAS 32 prospectively from 18 September 2005, and consequently information for the year ended 16 September 2006 is provided on this basis For the year ending 17 September 2005, information has been provided on the previously published basis under UK GAAP

Risk management policies and hedging activities

Foreign currency risk

Translation exposures

The group does not hedge the translation effect of exchange rate movements on the income statement

Transaction exposures

The main transaction exposures in the group are

sugar prices in British Sugar UK and Poland to movements in the pound sterling/euro exchange rate and Polish zloty/euro exchange rates respectively,

- sugar prices in Illovo sugar plc to movements in the South African rand/US dollar exchange rate
- sourcing for Primark (which is denominated in a number of currencies, predominantly pounds sterling, euros and US dollars)

Elsewhere, many businesses purchase raw materials in foreign currencies largely US dollar denominated

The group's policy is to hedge trade receivables and trade payables denominated in foreign currencies The group also hedges its forecast foreign currency exposure in respect of future sales and purchases up to 12 months Significant foreign currency transactions are covered by forward purchases and sales of foreign currency The majority of the forward exchange contracts undertaken by the group have maturities of less than one year

a) Forecast transactions

The group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value The net fair value of forward exchange contracts used as hedges of forecast transactions at 16 September 2006 was a loss of £3m, comprising assets of £2m and liabilities of £5m that were recognised in receivables and trade and other payables respectively

b) Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of operating costs

The net fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 16 September 2006 was a loss of £2m comprising assets of £8m and liabilities of £10m that were recognised in receivables and trade and other payables respectively

Interest rate risk

The group's interest rate risk is primarily in relation to its fixed rate borrowings and floating rate borrowings The group's policy is currently to maintain floating rate debt for the majority of its bank finance

Commodity price risk

The group purchases commodities including wheat, oils, cocoa and tea in the ordinary course of its business There are policies in place which are designed to hedge the exposure of the group to changes in the market price of such commodities and these policies include the use of futures and options contracts The use of such contracts are tightly controlled within set limits

The net fair value of futures and options contracts used as hedges of forecasted transactions at 16 September 2006 was a loss of £6m comprising assets of £4m and liabilities of £9m that were recognised in receivables and trade and payables respectively

Credit risk

Cash & cash equivalents and other current investments

The group's cash & cash equivalents and other current investments totalled £409m at 16 September 2006 (2005 - £1 198m) including £75m 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-/A1 for long and short term paper respectively, and also set down conditions relating to sovereign risk, maturity, exchange rate exposure and type of investment instrument Aggregate limits for each category of investment and risk exposure are set for each manager

Other financial assets

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed on all customers requiring credit

Given their high credit ratings management does not expect any counterparty to fail to meet its obligations, other than those provided for/impaired at 16 September 2006, as described in note 15

26 Financial instruments continued

At 16 September 2006 there were no significant concentrations of credit risk The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet

Liquidity risk
The group has a combination of financial investments (refer to cash & cash equivalents and other current investments section above) and committed bank facilities to ensure that the group has available funds to meet its long-term capital and funding obligations and to meet any unforseen obligations and opportunities

Embedded Derivatives
The group'spolicy is to review contracts to identify embedded derivatives that are required to be separetly accounted for under IFRS As at 16 September 2006 no material embedded derivatives had been identified.

Fair values
A comparison of the fair values of financial instruments with their carrying amounts in the balance sheet is presented below, analysed by the currencies in which the financial instruments are demoninated

	Note	Carrying amount 2006 £m	Sterling £m	US dollar £m	Euro £m	Other £m	Fair value 2006 £m
Other current investments	18	53	48	4	-	1	53
Receivables	(a)	1,179	1,243	(520)	144	312	1,179
Cash and cash equivalents	(b)	290	103	47	32	108	290
Forward exchange contracts							
Assets		10	1	9	-	-	10
- Liabilities		(15)	-	(6)	-	(9)	(15)
Commodity futures							
- Assets		4	4	-		-	4
Liabilities		(10)	(9)	(1)	-	-	(10)
Cross currency interest rate swap - assets		3	-	3	-		3
Bank overdrafts	19	(158)	(6)	(22)	(2)	(128)	(158)
Secured bank loans	20	(24)	-	(12)	-	(12)	(24)
Unsecured bank loans	20	(12)		(6)	(3)	(3)	(12)
10 3/4% redeemable debenture stock	20	(150)	(150)		-	-	(180)
Finance lease liabilities	20	(12)	(12)	-	-	-	(12)
Trade and other payables	(c)	(1,589)	(1,118)	(134)	(62)	(275)	(1,589)
		(431)	104	(638)	109	(6)	(461)
Net unrecognised gain/(loss)							(30)

	Note	£m
(a) Trade and other receivables per above		1,179
Less Haugen group receivables (excluding prepayments) classified as held for sale	16	(11)
Trade and other receivables (excluding derivative assets and prepayments)	15	1,168
(b) Cash and cash equivalents per above		290
Less Haugen group cash classified as held for sale	16	(7)
Cash and cash equivalents	19	283
(c) Trade and other payables per above		(1,589)
Less Haugen group payables classified as held for sale	16	9
Trade and other payables (excluding derivative liabilities)	21	(1,580)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table

Other current investments
Fair value is determined by reference to a quoted market price in an active market at the reporting date

Trade and other receivables / payables
For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value All other receivables/payables are discounted at the market rate of interest at the reporting date to determine the fair value

Derivatives
Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market rate for a similar instrument at the balance sheet date Where other pricing models are used, inputs are based on market related data at the balance sheet date

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows

Finance lease liabilities
The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements The estimated fair values reflect changes in interest rates

26 Financial instruments continued

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods of maturity or periods in which they reprice, which ever is earlier The values shown is the carrying amount

	Note	Effective interest rate %	2006 Total £m	6 months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than 5 years £m
Assets								
Other current investments[1]	18	4 30	53	49	3	1	-	-
Cash [2]	(a)	2 89	260	260	-		-	-
Cash equivalents [3]	19	4 50	30	30		-	-	-
Liabilities								
Bank overdrafts [4]	20	6 61	(158)	(158)		-	-	-
Secured bank loans	20							
- USD floating rate loan		8 00	(2)	-	-	(1)	(1)	-
- USD fixed rate loan		7 00	(10)	(1)	(1)	(4)	(4)	
- Other floating rate loan		4 14	(7)	(7)		-	-	-
- Other fixed rate loan		6 38	(5)	(4)	(1)			
Unsecured bank loans	20							
- USD fixed rate loan		5 97	(6)	(3)		-	(3)	-
- EUR fixed rate loan		3 00	(3)		-	-	-	(3)
Other fixed rate loan		4 25	(3)	-	(3)		-	-
10 3/4% secured redeemable debenture stock 2013	20	10 75	(150)	-	-	-	-	(150)
Cross currency interest rate swap		8 88	3	3		-	-	-
Finance lease liabilities*	20	4 98	(12)	-	-		-	(12)
			(10)	169	(2)	(4)	(8)	(165)

	Note	£m
(a) Cash at bank and in hand per above		260
Less Haugen group cash classified as held for sale	16	(7)
Cash at bank and in hand	19	253

[1] Other current investments generally comprise funds invested with funds managers (ie investments in debt securities, equity securities and time deposits) that have an original maturity of greater than three months and are at fixed rates

[2] Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate

[3] Cash equivalents generally comprise
(i) deposits placed on money markets for periods up to three months which earn interest at the respective short-term deposit rate, and
(ii) funds invested with funds managers that have a maturity of less than or equal to three months and are at fixed rates

[4] Bank overdrafts generally bear interest at floating rates

[5] These liabilities bear interest at a fixed rate

Derivative financial instruments

The table below shows changes in the cash flow hedging reserve (a component of equity) during the year ending 16 September 2006

	2006 £m
Balance of cash flow hedging reserve at 18 September 2005	7
Effective portion of gains or losses on hedging instruments used in cash flow hedges	(16)
Gains or losses on hedging instruments transferred to profit or loss	(1)
Gains or losses transferred to adjust the initial measurement of the hedged asset	4
Balance of cash flow hedging reserve at 16 September 2006	(6)

The net loss on hedging intruments transferred to the profit and loss is recognised in operating costs in the income statement

All gains and losses reported directly in equity as at year end are expected to enter into the determination of net profit or loss in the following year

Notes forming part of the financial statements continued

27 Operating Leases

Leases as a lessee

The future minimum lease payments under operating leases are as follows

Rentals due	2006 £m	2005 £m
Within one year	61	58
Between one and five years	180	138
After five years	608	466
	849	662

The group acts as a lessee for both land and buildings and plant and machinery

Sublease receipts of £8m (2005 £2m) were recognised in the income statement in the period The total of future minimum sublease receipts expected to be received are £98m (2005 £106m)

Refer to note 20 for details on Finance leases

28 Contingencies

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

The group has not adopted the amendments to IAS 39 in relation to financial guarantee contracts which applies for periods commencing on or after 1 January 2006 Where group companies enter into financial guarantee contacts to guarantee the indebtedness of other group companies, the group considers these to be insurance arrangements and accounts for them as such in accordance with IFRS 4 In this respect, the group treats the guarantee contract as a contingent liability until such time as it becomes probable that the relevant group company issuing the guarantee will be required to make a further payment under the guarantee

As at 16 September 2006, group companies have provided guarantees in the ordinary course of business amounting to £139m (2005 £31m)

29 Related parties

The group has a controlling related party relationship with its parent company and it's ultimate parent company (see note 31)
The group also has a related party relationship with its associates (see note 12), and its joint ventures (see note 12)
In the course of normal operations, related party transactions entered into by the group have been contracted on an arms-length basis

	Sub note	2006 £'000	2005 £'000
Charges to Wittington Investments Limited in respect of services provided by the company and its subsidiary undertakings		**152**	117
Sales to fellow subsidiary undertakings on normal trading terms	1	**2,663**	2,802
Amounts due from fellow subsidiaries on normal trading terms	1	**679**	436
Sales to joint ventures and associates on normal trading terms	2	**116,987**	78,390
Purchases from joint ventures and associates on normal trading terms	2	**20,613**	16,329
Amounts due from joint ventures and associates	2	**26,979**	28,628
Amounts due to joint ventures and associates	2	**1,979**	115

1 The fellow subsidiary undertaking is Fortnum and Mason PLC

2 Details of the group's principal joint ventures and associates are set out in note 31

30 Subsequent event

On 12 October 2006 the group's immediate parent company refinanced its external borrowings See note 26 for further details

Notes forming part of the financial statements continued

31 **Group entities**

Control of the group

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 accounts of which are available at Companies House, Crown Way, Cardiff, CF14 3UZ It is the ultimate holding company, is incorporated in Great Britain and registered in England The smallest group in which the results of the Company 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, CF14 3UZ

Significant subsidiaries

A list of the group's significant subsidiary undertakings is given below 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

Manufacturing activities	**Country of incorporation**
AB Brasil Industria e comercio de Alimentos LTDA	Brazil
AB Enzymes GmbH	Germany
AB Enzymes Oy	Finland
ABF Grain Products Limited	UK
AB Food & Beverages Australia Pty Ltd	Australia
AB Food & Beverages Philippines, Inc	Philippines
AB Food & Beverages (Thailand) Limited	Thailand
AB Mauri Food, S A	Spain
AB Mauri India (Private) Limited	India
Abitec Corporation	US
Abitec Limited	UK
ABNA Limited	UK
ABNA (Shanghai) Feed Co Ltd	China
ACH Food Companies Inc	US
Alimentos Capullo S de R L de C V	Mexico
Anzchem Pty Ltd	Australia
British Sugar (Overseas) Limited	UK
British Sugar plc	UK
Calsa de Colombia S.A	Colombia
Cereform Limited	UK
Compania Argentina de Levanduras S A I C	Argentina
Cukrownia Glinojeck SA (98%)	Poland
Deutsche Hefewerke GmbH	Germany
Food Investments Limited	UK
Foods International S A	France
G Costa and Company Limited	UK
George Weston Foods Limited	Australia
George Weston Foods (NZ) Limited	New Zealand
Germain's (Ireland) Limited	Republic of Ireland
Germain's Technology Group NA Inc	US
Germains Technology Group Polska Sp.z.o o	Poland
Guangxi Bo Hua Food Co Ltd (70%)	China
Guangxi Boqing Food Co , Ltd (60%)	China
Harbin Mauri Yeast Co , Limited	China
Haugen-Gruppen AS*	Norway
Haugen-Gruppen Denmark AS*	Denmark
Haugen-Gruppen Sweden AB*	Sweden
Illovo Sugar Limited (51%)	South Africa
Illovo Sugar (Malawi) Limited (39%)	Malawi
Jacksons of Piccadilly Limited	UK
Jordan Bros, (N I) Limited	UK
Kilombero Sugar Company Limited (28%)	Tanzania
Liaoning Liaohe Aimin Feed Co Ltd	China
Liaoning Liaohe Yingpeng Feed Co , Ltd	China
Maragra Acucar SARL (38%)	Mozambique
Mauri Fermentos, SA	Portugal
Mauri Lanka (Private) Limited	Sri Lanka
Mauri Maya Sanayi A S	Turkey
Mauri Products Limited	UK
Nambarrie Tea Company Limited	UK
R Twining & Co Limited	US
R Twining & Company Limited	UK
Serrol Ingredients Pty Limited	Australia
Shanghai AB Food & Beverages Limited	China
SPI Pharma	France
SPI Pharma Inc	US
SPI Polyols Inc	US
SugarPol (Torun) Sp z.o o (72%)	Poland
The Billington Food Group Limited	UK
The Ryvita Company Limited	UK
Tone Brothers, Inc	US
Twinings North America Inc	US
Ubombo Sugar Limited (31%)	Swaziland
Wander AG	Switzerland
Yeast Products Company Limited (60%)	Republic of Ireland
Zambia Sugar plc (46%)	Zambia
Retailing activities	**Country of incorporation**
Primark	Republic of Ireland
Primark Stores Limited	UK
Investment and other activities	**Country of incorporation**
ABF European Holdings & Co SNC	Luxembourg
Talisman (Guernsey) Limited	Guernsey, Channel Islands

Group interest is 100% except where indicated The group's interests in subsidiary undertakings are all equity investments

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

*Haugen companies were sold on 4 October 2006

Notes forming part of the financial statements continued

31 Group entities continued

Interest in joint ventures and associates

A list of the group's interest in joint ventures and associates is given below

	Country of incorporation	*Issued ordinary share capital* Total	Group %
Principal joint ventures and associates			
Australasian Lupin Processing Pty Ltd	Australia	A$560,000	50
C Czarnikow Sugar Limited	UK	£1,000,000	43
Chiltern Bakeries Limited	UK	£100	44
Frontier Agriculture Limited	UK	£36,001,000	50
Getec Guanabara Quimica Industrial SA	Brazil	BRR 14,254,370	50
Harper-Love Adhesives Corporation	US	US$912,200	50
Levaduras Collico S A	Chile	CLP28,000	50
Murray Bridge Bacon Pty Limited	Australia	A$11,040,210	20
New Food Coatings Pty Limited	Australia	A$150,000	50
Qingdao Xinghua Cereal Oil & Foodstuff Co Ltd	China	CNY22,400,000	33
Roal Oy	Finland	EUR3,196,000	50

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

The companies listed herein are those subsidiary undertakings, joint ventures and associates whose results or financial position, in the opinion of the directors, principally affected the figures shown in these annual accounts as a list of all group companies would result in information of excessive length being given A full list of the subsidiary undertakings shall be annexed to the next annual return of Associated British Foods plc delivered to the Registrar of Companies

32. Accounting estimates and judgements

Key sources of estimation uncertainty

In applying the accounting policies detailed on pages 9 to 12, management has made appropriate estimates in many areas and the actual outcome may differ from those calculated The key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are

Forecasts and discount rates

The carrying value of a number of items on the balance sheet are dependent on estimates of future cash flows arising from the group's operations which, in some circumstances, are discounted to arrive at a net present value

- The carrying value of goodwill must be assessed for impairment at least annually and also when there is an indication that it may be impaired This assessment involves comparing the book value of goodwill with its recoverable amount being the higher of value in use and fair value less costs to sell Value in use is determined with reference to projected future cash flows discounted at an appropriate rate No impairment resulted from the assessment conducted in 2006, however, both the projected future cash flows and the discount rate applied involve a significant degree of estimation uncertainty

- The realisation of deferred tax assets recognised is dependent on the generation of sufficient future taxable profits in the jurisdictions in which the deferred tax assets arise The group recognises deferred tax assets when it is more likely than not that they will be recovered which is based on an assessment of the likelihood of there being sufficient taxable profits in the future

Post-retirement benefits

The group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19 The accounting valuation, which has been assessed on assumptions determined with independent actuarial advice, resulted in an asset of £169m and a liability of £37m being recognised as at 16 September 2006 The size of the asset is sensitive to the market value of the assets held by the schemes and to the actuarial assumptions, which include price inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality and other demographic assumptions and the level of contributions Further details are included in note 13

Provisions

As described in the accounting policies on pages 9 to 12, provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date These estimates are made taking into account a range of possible outcomes

Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews residual values annually considering market conditions and projected disposal values In assessing useful lives, maintenance programmes and technological innovations are considered The carrying value of property plant and equipment is disclosed in note 10

Biological assets

Cane roots valuation - the escalated average cost of planting cane roots is adjusted for the remaining expected life This requires an estimation by management of the average number of ratoons expected from the crop The carrying value of cane roots is disclosed in note 11

Growing cane valuation growing cane is valued at the esimtated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates The carrying value of growing cane is disclosed in note 11

33 Explanation of transition to IFRS

As stated in the accounting policies on pages 9 to 12, these are the group's first consolidated financial statements prepared in accordance with IFRS

The accounting policies have been applied in preparing the financial statements for the year ended 16 September 2006, the comparative information presented in these financial statements for the year ending 17 September 2005 and in the preparation of an opening IFRS balance sheet at 18 September 2004 (the group's date of transition to IFRS)

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) An explanation of how the transition from UK GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out below

The major changes for the group resulting from the introduction of IFRS relate to

- The accounting for business combinations where intangible assets which did not qualify for separate recognition under UK GAAP are now recognised separately from goodwill
- The cessation of amortisation of goodwill
- The accounting for deferred tax on the basis of differences between the book value and tax base of assets and liabilities (temporary differences) This results in deferred tax being recognised in circumstances that did not give rise to deferred tax under UK GAAP For example, deferred tax is now recognised on non qualifying intangible assets even though no tax liability or asset is expected to crystallise in the foreseeable future
- The accounting for derivative financial instruments from 18 September 2005 These are now reflected in the balance sheet at fair value with subsequent changes in fair value being accounted for immediately in the income statement unless certain conditions are satisfied.
- The calculation of profits and losses on the sale of subsidiaries which now no longer take account of goodwill previously written off to reserves

Income Statement
The adoption of IFRS has little impact on the group's adjusted measures of reported performance which exclude amortisation of intangible assets, profits less losses on the sale of property, plant & equipment and businesses and provisions for the losses on termination of operations The adjustments that do arise at this level relate principally to the following

- The manner in which fair values are attributed to the separable net assets acquired in a business combination Under IFRS 3, Business Combinations, for finished goods acquired a margin for selling effort has been deducted to determine the fair value The fair valued inventories were sold during the year (adjustment (a)) and
- The requirement under IFRS to deduct the related tax from the group's share of profits of its associates and joint ventures which are included in operating profit

The group's unadjusted measures of performance are also affected by the fact that under IFRS

- Goodwill is no longer amortised but intangible assets which are now recognised in circumstances that would not have been the case under UK GAAP, are amortised (adjustment (b))
- Goodwill previously written off to reserves is not taken into account in calculating the profit or loss arising on the sale of businesses (adjustment (c)), and
- Deferred tax is normally recognised on all differences between the book values of assets and liabilities and their tax bases (temporary differences) Refer below for details (adjustment (d))

Balance Sheet
The group s net assets at 17 September 2005 are impacted by the following

- Goodwill is no longer amortised but tested for impairment annually (adjustment (b))
- Intangible assets are now separately recognised from goodwill and are amortised over their estimated useful lives (adjustment (b)),
- When calculating the profit or loss arising on the sale of businesses goodwill previously written off to reserves is no longer taken into account (adjustment (c))
- With limited exceptions, deferred tax is recognised on all differences between the book values of assets and liabilities and their tax bases (temporary differences) rather than just certain timing differences under UK GAAP As a result, where intangible assets and tangible fixed assets are acquired as part of a business combination deferred tax must be recognised on any associated temporary differences The income statement is affected post-acquisition because the temporary differences recognised on acquisition subsequently change as a result of depreciation and amortisation For goodwill deferred tax is no longer recorded at the date of acquisition, and subsequent tax amortisation and impairment charges will result in deferred tax on goodwill (adjustment (d))
- Goodwill and intangible assets arising on acquisitions subsequent to 3 September 2004 where IFRS 3 has been applied, are denominated in local currencies and retranslated at each balance sheet date Under UK GAAP most goodwill and intangible assets were treated as sterling assets (adjustment (f)),
- A credit adjustment has been made to employee entitlements assets and liabilities to take account of different valuation methodologies for pension scheme assets under IAS 19 Due to the group having previously adopted FRS 17, Retirement Benefits, under UK GAAP, there are no significant differences arising upon transition to IAS 19, Employee benefits (adjustment (g)),
- Under UK GAAP, all of the group s property leases were accounted for as operating leases IAS 17 requires the element of a property lease that relates to land to be considered separately from the element that relates to buildings The land element will generally continue to be accounted for as an operating lease but, in certain cases, the buildings element will now be accounted for as a finance lease Adjustment has therefore been made to include the fair value of these finance leased buildings within fixed assets, with an obligation of equal amount being provided as a lease creditor As these finance leases were acquired in September 2005, there is no impact on the group's net assets The finance lease obligations have, however, reduced the group s net cash funds by £12m at 17 September 2005 (refer to Note 20) (adjustment (h)),
- An adjustment for engineering inventories has been recorded as they do not meet the definition of inventories under IAS 2 (adjustment (i))
- The group has elected to treat the UK GAAP value of all previously revalued properties as deemed cost and the revaluation reserve has been transferred to retained earnings (adjustment (j)), and
- As noted previously, the group has adopted IAS 39 from 18 September 2005 The group enters into derivative financial instruments to hedge its exposure to fluctuations in exchange rates and commodity prices Under IAS 39, such derivative financial instruments are recorded at their fair value. The impact of the adoption of IAS 39 is to increase the group s net assets at 18 September 2005 by £7m.

Notes forming part of the financial statements continued

33 Explanation of transition to IFRS continued
Consolidated income statement for the year ended 17 September 2005

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m	Adjustment	(a) & (d) IFRS 3 Business combinations £m	(b) & (d) IAS 36 Reverse goodwill amortisation £m	(b) & (d) IAS 36 Amortisation of intangibles £m	(c) IFRS 3 Reverse recycled goodwill £m	(d) IAS 12 Deferred tax £m	Sum of IFRS adjustments £m	IFRS £m
Turnover of the group including its share of joint ventures	5,774										
Less share of turnover of joint ventures	(152)										
Group turnover	5,622		5,622	**Revenue**						-	5,622
Operating costs	(5,119)		(5,119)	Operating costs	(8)	73	(25)			40	(5,079)
			503		(8)	73	(25)	-	-	40	543
		7	7	Share of profit from joint ventures and associates						-	7
		20	20	Profits less losses on sale of property, plant and equipment						-	20
Group operating profit	503	27	530	**Operating profit**	(8)	73	(25)	-	-	40	570
		510	510	Adjusted operating profit	(8)	73	-	-	-	65	575
		20	20	Profits less losses on the sale of property, plant and ec	-	-	-	-	-	-	20
			-	Amortisation of intangibles	-	-	(25)	-	-	(25)	(25)
Share of operating results of - joint ventures	4	(4)	-								
- associates	6	(6)	-								
Total operating profit	513										
Operating profit before amortisation of goodwill	586	(586)	-								
Amortisation of goodwill	(73)	73	-								
Profits less losses on sale of fixed assets	20	(20)	-								
Profits less losses on sale of businesses	(6)		(6)	Profits less losses on sale of businesses				5		5	(1)
Provision for loss on termination of an operation	(47)		(47)	*Provision for loss on termination of an operation*						-	(47)
			477	**Profit before interest**	(8)	73	(25)	5	-	45	522
Investment income	91	113	204	Financial income						-	204
Profit on ordinary activities before interest	571										
Interest payable	(134)	(103)	(237)	Financial expenses						-	(237)
Other financial income	10	(10)	-								
Profit on ordinary activities before taxation	447	(3)	444	**Profit before taxation**	(8)	73	(25)	5	-	45	489
Adjusted profit before taxation	553	(76)	477	Adjusted profit before taxation	(8)	73	-	-	-	65	542
Profits less losses on sale of fixed assets	20		20	Profits less losses on the sale of property, plant and	-	-	-	-	-	-	20
Profits less losses on sale of businesses	(6)		(6)	Profits less losses on sale of businesses	-	-	-	5	-	5	(1)
Provision for loss on termination of an operation	(47)		(47)	Provision for loss on termination of an operation	-	-	-	-	-	-	(47)
Amortisation of goodwill	(73)	73									
			-	Amortisation of intangibles	-	-	(25)	-	-	(25)	(25)
Tax on profit on ordinary activities	(124)	3	(121)	Taxation	3	(11)	5		(2)	(5)	(126)
Profit on ordinary activities after taxation	323	-	323	**Profit for the period**	(5)	62	(20)	5	(2)	40	363
Minority interests - equity	(7)	7	-								
Profit for the financial year	316	7	323		(5)	62	(20)	5	(2)	40	363
Dividends - interim	(150)		(150)	Dividends						-	(150)
Transfer to reserves	166	7	173	**Retained earnings for the period**	(5)	62	(20)	5	(2)	40	213

Notes forming part of the financial statements continued

33 Explanation of transition to IFRS continued
Consolidated balance sheet at 17 September 2005

	UK GAAP restated	Reformat to IFRS	UK GAAP under IFRS presentation	Adjustment	(a) & (d) IFRS 3 Business combinations	(b) & (d) IAS 36 Reverse goodwill amortisation	(b) & (d) IAS 36 Amortisation of intangibles	(c) IFRS 3 Reverse recycled goodwill	(d) IAS 12 Deferred tax	(f) IAS 21 Goodwill and intangibles currency	(g) & (d) IAS 19 Pension adjustment	(h) IAS 17 Leases	(i) IAS 2 Engineering inventory adjustment	(j) IAS 16 Reverse revaluation reserve	Other	Sum of IFRS adjustments	Unaudited IFRS
	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fixed assets				**Non-current assets**													
Intangible assets goodwill	978		978	Intangible assets	14	73	(25)		37	13						112	1 090
Tangible assets	2,252	(9)	2,243	Property plant and equipment								12				12	2 255
Interests in net assets of joint ventures	36		36	Investments in joint ventures													36
associates	15		15	Investments in associates													15
	-	97	97	Employee benefits asset							(2)					(2)	95
	-	40	40	Deferred tax assets	36											36	76
Loans receivable from parent company	-	67	67	Other receivables													67
	3,281	195	3 476	**Total non-current assets**	50	73	(25)		37	13	(2)	12	-	-		158	3,634
Current assets				**Current assets**													
	-	9	9	Non-current assets held for sale													9
Stocks	558		558	Inventories									(2)			(2)	556
Debtors	700	(41)	659	Trade and other receivables													659
Investments	752	(483)	269	Other Investments												-	269
Cash at bank and in hand	294	483	777	Cash and cash equivalents													777
	2,304	(32)	2,272	**Total current assets**	-	-		-	-				(2)	-		(2)	2,270
			5,748	TOTAL ASSETS	50	73	(25)	-	37	13	(2)	12	(2)	-	-	156	5,904
Creditors amounts falling due within one year				**Current liabilities**													
Short-term borrowings	(83)		(83)	Interest bearing loans and overdrafts													(83)
Other creditors	(1,556)	35	(1,521)	Trade and other payables												-	(1,521)
		(102)	(102)	Income tax													(102)
		(61)	(61)	Provisions													(61)
	(1,639)	(128)	(1,767)	**Total current liabilities**	-		-			-	-		-	-	-		(1,767)
Net current assets	665																
Total assets less current liabilities	3,946																
Creditors amounts falling due after one year				**Non-current liabilities**													
Loans	(162)		(162)	Interest bearing loans and overdrafts								(12)				(12)	(174)
Other creditors	(4)		(4)	Income tax													(4)
	(166)																
Provisions for liabilities and charges	(203)	174	(29)	Provisions													(29)
		(142)	(142)	Deferred tax liabilities	(55)	(11)	5		(30)		1					(90)	(232)
	3,577																
Pension asset	72	(72)	-														
Pension liability	(17)	5	(12)	Employee benefits liability							(1)					(1)	(13)
			(349)	**Total non-current liabilities**	(55)	(11)	5	-	(30)		-	(12)		-	-	(103)	(452)
Net Assets	3,632		3,632	NET ASSETS	(5)	62	(20)	-	7	13	(2)		(2)	-	-	53	3,685
Capital and reserves				Equity													
Called up share capital	214		214	Issued capital													214
Revaluation reserve	3		3	Revaluation reserve										(3)		(3)	-
Other reserves	1		1	Other reserves													1
	-	16	16	Translation reserve						13					2	15	31
Profit and loss account	3,385	(16)	3,369	Retained earnings	(5)	62	(20)	-	7		(2)		(2)	3	(2)	41	3 410
Equity shareholders' funds	3,603	-	3,603		(5)	62	(20)	-	7	13	(2)		(2)	-	-	53	3,656
Minority interests in subsidiary undertakings - equity	29		29	Minority interest												-	29
	3,632	-	3,632	TOTAL EQUITY	(5)	62	(20)	-	7	13	(2)	-	(2)	-	-	53	3,685

33 Explanation of transition to IFRS continued

Consolidated cash flow for the year ended 17 September 2005

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m	Adjustment	(a) & (d) IFRS 3 Business combinations £m	(b) & (d) IAS 36 Reversal of goodwill amortisation £m	(b) & (d) IAS 36 Amortisation of intangibles £m	(c) IFRS 3 Reverse recycled goodwill £m	Sum of IFRS adjustments £m	Unaudited IFRS £m
Cash flow from operating activities				**Cash flow from operating activities**						
Operating profit	503	(59)	444	Profit before taxation	(8)	73	(25)	5	45	489
				Add back non-operating items						
		(20)	(20)	Profits less losses on sale of property plant and equipment						(20)
		6	6	(Profits)/losses on sale of businesses				(5)	(5)	1
		47	47	Provision for loss on termination of an operation						47
		(204)	(204)	Financial income						(204)
		237	237	Financial expenses						237
				Adjustments for						
		(7)	(7)	Share of (profit) from joint ventures and associates						(7)
Amortisation of goodwill	73		73	Amortisation		(73)	25		(48)	25
Depreciation	161		161	Depreciation						161
		(8)	(8)	Pension cost less contributions						(8)
(Increase)/decrease in working capital										
stocks	(33)		(33)	Increase in inventories	8				8	(25)
debtors	(9)		(9)	Increase in receivables						(9)
creditors	(13)	(1)	(14)	Increase/(decrease) in payables						(14)
Movement with holding company	791	(791)		Movement with holding company						
Other provisions				(Decrease)/increase in other provisions						
		(800)	673	**Cash generated from operations**		-	-		-	673
		(128)	(128)	Income taxes paid						(128)
Pension cost less contributions	(9)	9	-							
	1,464	(919)	545	**Net cash from operating activities**						545
				Cash flows from investing activities						
Dividends from joint ventures	2		2	Dividends received from joint ventures						2
Dividends from associates	2		2	Dividends received from associates						2
		(403)	(403)	Purchase of property plant & equipment						(403)
		39	39	Sale of property plant & equipment						39
		(1 130)	(1 130)	Purchase of subsidiary undertakings						(1 130)
		8	8	Sale of subsidiary undertakings						8
		(18)	(18)	Sale of joint ventures and associates						(18)
Return on investments and servicing of finance										
Investment income	95		95	Interest received						95
Interest paid	(133)	133	-							
Dividends paid to minorities	(4)	4								
	(42)									
Taxation	(128)	128								
Capital expenditure and financial investment										
Purchase of tangible fixed assets	(403)	403	-							
Sale of tangible fixed assets	39	(39)	-							
Loan repayment from joint venture	51		51	Loan repayment from joint venture						51
	(313)									
Acquisitions and disposals										
Purchase of subsidiary undertakings	(1 130)	1 130								
Sale of joint ventures and associates	(18)	18	-							
Sale of subsidiary undertakings	8	(8)	-							
	(1,140)									
Equity dividends paid	(150)	150								
Net cash (outflow)/inflow before use of liquid funds and financing	(305)									
		415	(1,354)	**Net cash from investing activities**					-	(1,354)
				Cash flows from financing activities						
		(4)	(4)	Dividends paid to minorities						(4)
		(150)	(150)	Dividends paid to shareholders						(150)
		(133)	(133)	Interest paid						(133)
Management of liquid resources	438	(165)	273	Decrease in other current investments						273
Financing										
(Decrease)/increase in short-term loans from parent company		777	777	(Decrease)/increase in short term loans from parent company						777
(Increase)/decrease in long term deposits with parent company		14	14	(Increase)/decrease in long-term deposits with parent company						14
Borrowings due within one year repayment of loans	(111)	112	1	Increase in short term loans						1
increase in loans	112	(112)	-							
Borrowings due after one year repayment of loans	(4)	10	6	Increase in long term loans						6
increase in loans	10	(10)	-							
Increase/(decrease) in bank borrowings	9	(9)		Increase in bank borrowings						
	454	330	784	**Net cash from financing activities**			-	-		784
Increase/(decrease) in cash	149	(174)	(25)	**Net decrease in cash and cash equivalents**	-					(25)

33 Explanation of transition to IFRS continued

Consolidated balance sheet at 18 September 2004

	Under UK GAAP	Reformat to IFRS	UK GAAP under IFRS presentation	Adjustment	(d) IAS 12 Deferred tax	(g) & (d) IAS 19 Pension adjustment	(i) IAS 2 Engineering inventory adjustment	(j) IAS 16 Reversal of revaluation reserve	Other	Sum of IFRS adjustments	Unaudited IFRS
	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m
Fixed assets				**Non-current assets**							
Intangible assets - goodwill	531		531	Intangible assets					(1)	(1)	530
Tangible assets	1,459	(12)	1,447	Property, plant and equipment						-	1,447
Interests in net assets of - joint ventures	12		12	Investments in joint ventures						-	12
- associates	11		11	Investments in associates						-	11
Other investments	1		1	Other investments						-	1
		93	93	Employee benefits asset		(2)				(2)	91
		15	15	Deferred tax assets		-				-	15
	2,014	96	2,110	**Total non-current assets**	-	(2)	-	-	(1)	(3)	2,107
Current assets				**Current assets**							
		12	12	Non-current assets held for sale						-	12
Stocks	496		496	Inventories			(2)			(2)	494
Debtors	680	(8)	672	Trade and other receivables						-	672
Investments	1,187	(648)	539	Other Investments						-	539
Cash at bank and in hand	130	648	778	Cash and cash equivalents						-	778
	2,493	4	2,497	**Total current assets**	-	-	(2)	-	-	(2)	2,495
			4,607	TOTAL ASSETS	-	(2)	(2)	-	(1)	(5)	4,602
Creditors amounts falling due within one year				**Current liabilities**							
Short-term borrowings	(68)		(68)	Interest bearing loans and overdrafts						-	(68)
Other creditors	(733)	106	(627)	Trade and other payables						-	(627)
		(106)	(106)	Income tax						-	(106)
		(14)	(14)	Provisions						-	(14)
	(801)	(14)	(815)	**Total current liabilities**	-	-	-	-	-	-	(815)
Net current assets	1,692										
Total assets less current liabilities	3,706										
Creditors amounts falling due after one year				**Non-current liabilities**							
Loans	(156)		(156)	Interest bearing loans and overdrafts						-	(156)
Other creditors	(8)		(8)	Income tax						-	(8)
	(164)										
Provisions for liabilities and charges	(154)	130	(24)	Provisions						-	(24)
		(151)	(151)	Deferred tax liabilities	9	1				10	(141)
	3,388										
Pension Asset	60	(60)									
Pension Liability	-	(5)	(5)	Employee benefits liability		(1)				(1)	(6)
			(344)	**Total non-current liabilities**	9	-	-	-	-	9	(335)
Net Assets	3,448	-	3,448	NET ASSETS	9	(2)	(2)	-	(1)	4	3,452
Capital and reserves				Equity							
Called up share capital	214		214	Issued capital						-	214
Revaluation reserve	3		3	Revaluation reserve				(3)		(3)	-
Other reserves	1		1	Other reserves						-	1
			-	Translation reserve						-	-
Profit and loss account	3,203		3,203	Retained earnings	9	(2)	(2)	3	(1)	7	3,210
Equity shareholders funds'	3,421	-	3,421		9	(2)	(2)	-	(1)	4	3,425
Minority interests in subsidiary undertakings - equity	27		27	Minority interest						-	27
	3,448	-	3,448	TOTAL EQUITY	9	(2)	(2)	-	(1)	4	3,452

Company balance sheet

at 16 September 2006

	Note	2006 £m	2005 £m
Fixed assets			
Investments in subsidiary undertakings	1	2,535	2 554
		2,535	2,554
Current assets			
Debtors			
- *due within one year*	2	548	6
due after one year	2	6	6
Investments	3	283	-
		837	12
Creditors amounts falling due within one year			
Other creditors	4	(283)	(430)
		(283)	(430)
Net current assets		554	(418)
Total assets less current liabilities			
Creditors amounts falling due after one year			
Amounts owed to subsidiary undertakings	4	(287)	(5)
Net assets		2,802	2,131
Capital and reserves			
Called up share capital	5	22	22
Share premium account	6	192	192
Capital contribution reserve	6	283	-
Profit and loss reserve	6	2,305	1,917
Equity shareholders' funds		2,802	2,131

The financial statements on pages 44 to 46 were approved by the board of directors on 12 April 2007 and were signed on its behalf by

John Bason

John Bason Director

Reconciliation of movements in equity shareholders' funds

for the year ended 16 September 2006

	2006 £m	2005 £m
Profit for the financial year	568	375
Dividends	(180)	(150)
Capital contribution received	283	-
Net (reduction)/addition to shareholders' funds	671	225
Opening equity shareholders' funds	2,131	1,906
Closing equity shareholders' funds	2,802	2 131

Accounting policies

for the year ended 16 September 2006

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million They are prepared under the historical cost convention, as modified by the revaluation of certain assets and in accordance with applicable United Kingdom accounting standards (UK GAAP) and Companies Act 1985

As permitted by the Companies Act 1985, a separate profit and loss account for the Company has not been included in these financial statements As permitted by FRS 1 no cash flow statement for the Company has been included on the grounds that the group includes the Company in its own published consolidated financial statements As permitted by FRS 8 no related party disclosures for the Company have been included

Investments in subsidiary undertakings

Investments in subsidiary undertakings are reported at cost less any provision for impairment except for those investments hedged in accordance with paragraph 28 of SSAP20 These investments are denominated in foreign currency at inception of the hedge and then revalued at each reporting date

Notes to the Company financial statements

for the year ended 16 September 2006

1 Investments in subsidiary undertakings

	£m
At 17 September 2005	2,554
Effect of movement in foreign exchange	(19)
At 16 September 2006	2,535

There were no provisions for impairment in either year

2 Debtors	2006 £m	2005 £m
Amounts falling due within one year		
Amounts owed by parent company	548	
Other debtors	-	6
	548	6
Amounts falling due after one year		
Amounts owed by subsidiary undertakings	6	6
	6	6

The directors consider that the carrying amount of trade and other debtors approximates their fair value

3 Current asset investments	2006 £m	2005 £m
Cost		
Unlisted investments	283	-
	283	-

Current asset investments comprise a holding of USD preference shares in a subsidiary undertaking

Market & redemption value		
Unlisted investments	283	-
	283	

4 Other creditors	2006 £m	2005 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	283	
Amounts owed to parent company	-	430
	283	430
Amounts falling due after one year		
Amounts owed to subsidiary undertakings	287	5
	287	5

The directors consider that the carrying amount of creditors approximates their fair value

5 Share capital

	Ordinary shares of 5p each '000	Nominal value £m
Authorised		
At 17 September 2005 and 16 September 2006	600,000	30
Issued and fully paid		
At 17 September 2005 and 16 September 2006	449 815	22

6 Reserves

	Issued capital £m	Share premium account £m	Capital contribution reserve £m	Profit and loss reserve £m	Total £m
At 17 September 2005	22	192	-	1,917	2,131
Profit for the year	-	-	-	568	568
Capital contribution received		-	283	-	283
Dividends	-	-	-	(180)	(180)
At 16 September 2006	22	192	283	2 305	2,802

7 Dividends

Details of dividends paid and proposed are provided in note 8 to the consolidated financial statements

8 Contingent liabilities

The Company has not adopted the amendments to FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 17 September 2006

The Company has provided guarantees in the ordinary course of business amounting to £46m (2005 - £Nil)

9 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, CF14 3UZ

10 Indemnity

The Company has granted an indemnity to Rosalyn Mendelsohn and Peter Russell, as permitted by section 309B of the Companies Act 1985 (the 'Act') The indemnity provides that Rosalyn Mendelsohn and Peter Russell shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by them acting as a director of the Company or any of its subsidiaries to the fullest extent permitted by the Act