Associated British Foods plc

Interim Report 2004

Grocery

Hot beverages

Flour, rice & noodles

Meat & dairy

Sugar & sweeteners

Vegetable oils

Baked goods

Our businesses around the world produce and sell famous brands as well as own label grocery products.

Sales	£1,169m
Profit	£71m

Primary food & agriculture

Sugar

Animal feed

Seed processing & merchanting

Speciality growing

We add value to primary products through our sophisticated and efficient processing facilities to produce high quality staple ingredients such as sugar.

Sales	£749m
Profit	£85m

Ingredients

Polyols & antacid ingredients

Enzymes

Emulsifiers, sterols & esters

Baking & confectionery ingredients & yeasts

Speciality chemicals

We develop and produce functional ingredients from natural products for use in a diverse range of applications.

Sales	£133m
Profit	£15m

Retail

Fashion retail

Primark has a winning formula for providing quality merchandise at affordable prices.

Sales	£399m
Profit	£50m

Associated British Foods is an international food, ingredients and retail group with annual sales of £4.9bn and over 35,000 employees. The group is one of Europe's largest food companies and has significant businesses in Australasia and the US.

Financial highlights for the 24 weeks ended 28 February 2004

Adjusted operating profit up 10% to £224m*

Group sales up 5% to £2,372m

Adjusted profit before tax up 10% to £238m**

Adjusted earnings per share up 11% to 21.4p**

First interim dividend per share up 11% to 5.25p

Net cash funds of £1,025m

Basic earnings per share up 9% to 20.2p

Profit before tax up 9% to £223m

* before amortisation of goodwill

** before profits less losses on the sale of businesses and fixed assets and amortisation of goodwill

All figures stated after profits less losses on the sale of businesses and fixed assets and amortisation of goodwill are shown on the face of the consolidated profit and loss account.

Chairman's statement

Operating profit, before amortisation of goodwill, increased by 10% to £224m reflecting advances in many of our businesses.

Trading over the period has been against a background of significant movements in the prices of some of the key commodities used by our businesses as well as in currency exchange rates. In these conditions, profits and earnings have developed well.

Operating profit, before amortisation of goodwill, increased by 10% to £224m reflecting advances in many of our businesses.

There was a significant increase in profit from the hot beverages business partly due to a full contribution from Ovaltine which was acquired in November 2002. Twinings and Ovaltine also improved their underlying results and the integrated management of these important brands will show further benefits in the future. Our UK grocery businesses continued investment in both product and brand development. The UK bakery business improved its profits while absorbing substantially higher wheat prices but in Australia, the bakery business faced pricing pressure which held back results. Meanwhile the construction of the new Sydney bakery remains on schedule to open towards the end of this calendar year.

The US oils business has faced a challenging period with sharply increased raw material costs. As a result the profit of this business declined and was further affected in sterling terms by the impact of the US dollar weakness. Prices have been increased and some improvement is expected as the year develops.

In primary food and agriculture, British Sugar UK had an exceptionally good campaign with excellent operational efficiency and high yields. Profit also benefited from the strength of the euro in the early part of the year although some of this benefit has been eroded as the year advanced. Our overseas sugar operations were still affected by weak prices, although some signs of improvement are now appearing. The animal feeds operations continued to improve their results in difficult trading conditions.

Overall, our ingredients businesses showed good progress with continued recovery in bakery ingredients following action in the previous year and welcome advances elsewhere. With a strengthened management team we anticipate further development in the future.

Primark performed impressively in the period with strong like-for-like sales growth and the benefit of additional retail space. Margins improved with the result that operating profit was 19% higher than a year earlier. Where space has permitted the range of goods offered to customers has been broadened with successful results. New store openings over the coming months will add further selling space as the management continue their emphasis on finding suitable sites. We believe there is still substantial scope to extend our coverage in the UK.

Net investment income increased from £12m to £14m as a result of higher average funds available for investment and recent increases in UK interest rates.

Profit before taxation, adjusted for profits less losses on the sale of fixed assets and businesses and before amortisation of goodwill, rose by 10% from £216m to £238m. The group's underlying effective rate of taxation of 29.2% was in line with the last full year. Adjusted earnings per share increased by 11% to 21.4p.

The group's strong cash generation continued and net cash funds totalled £1,025m compared with £836m a year earlier even after expenditure in the past year of £257m on fixed assets and acquisitions including debt assumed.

The food brands of G Costa were acquired during the period which added the Blue Dragon range of products to the UK

Chairman’s statement continued

grocery portfolio. Since the period end we have announced the acquisition, subject to regulatory clearance, of the Capullo and Mazola cooking oil brands in Mexico for $110m in cash. We successfully integrated Mazola in the US and this provides us with the opportunity to take our expertise into a new and growing market. The new stores acquired for Primark will require further investment to fit them out. These investments demonstrate our commitment to extend our operations both by acquisition in related areas and by the growth of existing businesses.

Dividend

The first interim dividend will be 5.25p per share, an increase of 11%, in line with growth in adjusted earnings in the period. This dividend will be paid on 31 August 2004 to shareholders registered at close of business on 30 July 2004.

We are launching a new service providing shareholders with a simple and cost effective way to build their shareholding in the company by using their cash dividend to buy additional shares. Full details will be posted to shareholders with this interim report.

Outlook

Currency fluctuations and raw material price changes will be a continuing feature of the rest of the year. The former is particularly likely to impact on our results both in trading terms and in translation of profits to sterling. In this environment we will continue to focus on efficiency, on developing our products for the benefit of our customers and on expanding the range of our offering. We will also continue to assess opportunities for new investment in our existing businesses and by acquisition. We expect to report further progress for the full year.

Martin Adamson Chairman
14 April 2004

Operating review

This is another strong set of results which has been delivered against a background of significant movements both in key commodity input costs and currency exchange rates.

Group sales increased by 5% to £2,372m and adjusted operating profit increased by 10% to £224m.

All business areas made progress with very strong performances from Primark and primary food & agriculture. In grocery, however, profit in our US oils business, ACH, was hit by sharply increased soy and corn oil costs in the first half but prices have been increased and we expect a better performance in the second half. The UK grocery business was strengthened by the acquisition of G Costa which includes the Blue Dragon range of products.

Grocery

	2004	2003
Sales £m	**1,169**	1,053
Operating profit £m	**71**	70

Our international grocery businesses continued to grow with sales up 11% to £1,169m and profit up 1% to £71m. Although strong progress was made by our hot beverages business, which benefited from a full contribution from Ovaltine and good underlying growth, grocery profit was held back by the raw material cost increases experienced at ACH.

The integration of Twinings and Ovaltine is now complete and both brands benefited from the introduction of new products. Growth in Ovaltine is in line with our expectation and in Switzerland there have been major promotions to mark the centenary of the brand.

Following the poor European grain harvests last year, wheat costs rose significantly and resulted in UK bread price increases. Both the growth in the Kingsmill brand, supported by the new product introductions in morning goods and a variant in the Toastie range, and cost reductions resulted in an improvement in profit at Allied Bakeries. Our frozen bakery operation in the UK continued to suffer from tough market conditions and operating difficulties.

Elsewhere in UK grocery, Ryvita enjoyed strong growth in UK crispbread and the ethnic food business of Westmill increased with growth in noodles and rice. Progress on the new factory for Westmill in Manchester is in line with plan and microwaveable rice and noodles are already in production. The acquisition of G Costa, another specialist in the ethnic foods market, adds Blue Dragon to our portfolio of retail brands with wide UK distribution through the major multiples.

Operating review continued

Sharply increased raw material costs in the US had a significant impact on ACH's profit in the first half which was also depressed in sterling terms by the weakness of the US dollar. Action to recover cost increases has been taken and we expect benefit from this in the second half. Since the half year we have announced the acquisition from Unilever of the Capullo and Mazola cooking oil brands in Mexico. Capullo is the leading Mexican premium canola oil brand and provides us not only with an entry to the growing Mexican market but also the opportunity to introduce the brand to the US where ACH already has a strong franchise with Hispanic consumers. A new sales and management organisation will be created over the next year and Unilever will provide the services required in the interim.

Tough competition in the Australian bread market had an adverse effect on the result in the first half. Construction of the new bakery in Sydney is progressing to plan and the closure of the Chatswood bakery in north Sydney has now been announced and the associated rationalisation costs have been charged against operating profit. Price competition also continued to affect the meat & dairy business. The sale of the biscuit business was completed during the half year.

Primary food & agriculture

	2004	2003
Sales £m	**749**	676
Operating profit £m	**85**	73

Sales were up 11% at £749m with profit up 16% to £85m.

Although the sugar crop at 1.37 million tonnes was 60,000 tonnes lower than last year's excellent crop, the exceptional growing conditions throughout its development produced very high quality beet. This resulted in record levels of processing efficiency in the factories. Although profits benefited from the strength of the euro, particularly in the early part of the year, we expect to see erosion of this in the second half of this year if the current euro/sterling exchange rate continues.

British Sugar in Poland also experienced good sugar beet growing conditions and excellent processing efficiencies in its factories. Although pricing suffered in the first half from market oversupply, this is expected to improve and become less volatile on Poland's accession to the EU in May this year. In China, we achieved record sugar yields and prices have firmed from their low levels in the first half as a result of the poor crop.

In agriculture, margin was adversely impacted in wheat based animal feeds but improved in sugar beet based ruminant feeds. Profit increased with volumes ahead of last year and a significant improvement in China following success in overhead reduction. During the period we sold our ruminant compound feeds business. This was a low margin business and our exit will enable us to focus on developing our supply chain partnerships and service offerings.

Ingredients

	2004	2003
Sales £m	**133**	141
Operating profit £m	**15**	13

Our ingredients business is focused on high technology products for both food and non-food applications. Profit benefited especially from recovery in bakery ingredients and strong growth in speciality ingredients in the US. Sales were affected by the removal of unprofitable lines in bakery ingredients and discontinued low margin business in lipid technologies. Profit grew 15% to £15m and sales declined 6% to £133m.

Major progress was made in Cereform, our bakery ingredients business in the UK and US, and margin improved through operational efficiencies. Unprofitable product lines were removed and sales growth in the US is now expected from the introduction of low carbohydrate variants of its bakery mixes.

In the US, the speciality food polyols business of SPI benefited from strong market development in low carbohydrate and sugar-free product introductions. Additionally, our functional grain based ingredients business saw continued growth in its sales to the fast growing US nutritional bar market.

Sales in lipid technologies declined as we exited a number of low margin businesses and focused on growing higher value speciality emulsifiers for the food and non-food markets. Sales growth continued in the enzymes business although margin suffered from the strength of the euro against the US dollar.

Retail

	2004	2003
Sales £m	**399**	359
Operating profit £m	**50**	42

Primark, our retail textile business, again made excellent progress with sales up 11% to £399m and profit up 19% to £50m. The increase in sales was the result of top end of sector like-for-like growth of 5% and the impact of extensions to existing stores. In addition, profit reflected margin improvement arising from better buying decisions and currency benefits.

Price deflation remains a feature of this market and was more pronounced during this half year making the like-for-like sales value growth of 5% all the more impressive.

There are 116 stores trading in the UK and Eire. No new stores have been opened in the period but extensions have increased the retail space to 2.2 million square feet. During the first half the Irish flagship store at Mary Street, Dublin was fully re-opened following completion of its major extension and refit. New stores were acquired at Boscombe, Lincoln, Loughborough, Slough, Sunderland and Watford in the UK. These stores are currently being fitted out and we expect to open them later in the year. The programme of extensions will continue and will include an additional 25,000 square feet of retail space at Manchester to create our largest store at 100,000 square feet. Management attention remains focused on the search for new stores to bring Primark's popular high street offering to towns and cities not currently served.

Peter Jackson Chief Executive

Consolidated profit and loss account

	Note	**24 weeks ended 28 February 2004 £m**	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Turnover of the group including its share of joint ventures		**2,380**	2,268	4,931
Less share of turnover of joint ventures		**(8)**	(9)	(22)
Group turnover	1	**2,372**	2,259	4,909
Operating costs		**(2,176)**	(2,075)	(4,508)
Group operating profit		**196**	184	401
Share of operating results of – joint ventures		**6**	2	4
– associates		**2**	1	3
Total operating profit	1	**204**	187	408
Operating profit before amortisation of goodwill		**224**	204	450
Amortisation of goodwill		**(20)**	(17)	(42)
Profits less losses on sale of fixed assets		**(1)**	(6)	12
Profits less losses on sale of businesses		**6**	11	14
Investment income		**24**	26	53
Profit on ordinary activities before interest		**233**	218	487
Interest payable		**(10)**	(14)	(30)
Profit on ordinary activities before taxation		**223**	204	457
Adjusted profit before taxation		**238**	216	473
Profits less losses on sale of fixed assets		**(1)**	(6)	12
Profits less losses on sale of businesses		**6**	11	14
Amortisation of goodwill		**(20)**	(17)	(42)
Tax on profit on ordinary activities	2	**(64)**	(58)	(128)
Profit on ordinary activities after taxation		**159**	146	329
Minority interests – equity		**–**	–	3
Profit for the financial period		**159**	146	332
Dividends – first interim		**(41)**	(37)	(37)
– second interim		**–**	–	(78)
Transfer to reserves		**118**	109	217
Basic and diluted earnings per ordinary share	3	**20.2p**	18.5p	42.1p
Adjusted earnings per ordinary share	3	**21.4p**	19.3p	42.6p

The group has made no material acquisitions nor discontinued any operations within the meaning of the Financial Reporting Standards during either 2004 or 2003.

Consolidated balance sheet

	At 28 February 2004 £m	At 1 March 2003 (restated) £m	At 13 September 2003 (restated) £m
Fixed assets			
Intangible assets – goodwill	**475**	515	510
Tangible assets	**1,371**	1,379	1,406
	1,846	1,894	1,916
Interest in net assets of – joint ventures	**13**	9	9
– associates	**11**	13	12
Other investments	**1**	1	1
Total fixed asset investments	**25**	23	22
	1,871	1,917	1,938
Current assets			
Stocks	**755**	749	516
Debtors	**567**	583	544
Investments	**1,305**	1,296	1,542
Cash at bank and in hand	**158**	135	170
	2,785	2,763	2,772
Creditors amounts falling due within one year			
Short-term borrowings	**(89)**	(198)	(92)
Other creditors	**(746)**	(779)	(799)
	(835)	(977)	(891)
Net current assets	**1,950**	1,786	1,881
Total assets less current liabilities	**3,821**	3,703	3,819
Creditors amounts falling due after one year			
Loans	**(349)**	(397)	(382)
Other creditors	**(7)**	(7)	(7)
	(356)	(404)	(389)
Provisions for liabilities and charges	**(147)**	(139)	(143)
	3,318	3,160	3,287
Capital and reserves			
Called up share capital	**47**	47	47
Revaluation reserve	**3**	3	3
Other reserves	**173**	173	173
Own shares held reserve	**(17)**	(14)	(13)
Profit and loss account	**3,090**	2,923	3,053
Equity shareholders' funds	**3,296**	3,132	3,263
Minority interests in subsidiary undertakings – equity	**22**	28	24
	3,318	3,160	3,287

The balance sheets at 1 March 2003 and 13 September 2003 have been restated to reflect the adoption of UITF Abstract 38 – Accounting for ESOP Trusts. Details of the impact of this change in accounting policy are provided in note 8.

Consolidated cash flow statement

	Note	**24 weeks ended 28 February 2004 £m**	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Cash flow from operating activities	4	**16**	83	630
Dividends from joint ventures		**1**	1	4
Dividends from associates		**1**	–	2
Return on investments and servicing of finance				
Investment income		**25**	27	52
Interest paid		**(13)**	(15)	(27)
Dividends paid to minorities		**–**	(16)	(16)
		12	(4)	9
Taxation		**(65)**	(63)	(120)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(96)**	(66)	(180)
Sale of tangible fixed assets		**5**	5	40
		(91)	(61)	(140)
Acquisitions and disposals				
Purchase of subsidiary undertakings		**(33)**	(212)	(215)
Sale of joint ventures and associates		**1**	–	–
Sale of subsidiary undertakings		**19**	118	124
		(13)	(94)	(91)
Equity dividends paid		**(78)**	(71)	(108)
Net cash (outflow)/inflow before use of liquid funds and financing		**(217)**	(209)	186
Management of liquid funds	6	**223**	76	(173)
Financing	5	**(5)**	127	13
Increase/(decrease) in cash	6	**1**	(6)	26

Consolidated statement of total recognised gains and losses

	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Profit for the financial period	**159**	146	332
Currency translation differences on foreign currency net assets	**(77)**	30	52
Tax on currency translation differences	**(1)**	1	1
Total recognised gains and losses relating to the period	**81**	177	385
Prior year adjustment	**4**		
Total recognised gains and losses since previous year end	**85**		

Reconciliation of movements in consolidated shareholders' funds

	Note	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Opening shareholders' funds as previously reported		**3,272**	2,991	2,991
Prior year adjustment	8	**(9)**	(10)	(10)
Opening shareholders' funds restated		**3,263**	2,981	2,981
Profit for the financial period		**159**	146	332
Dividends – first interim		**(41)**	(37)	(37)
– second interim		**–**	–	(78)
Goodwill written back		**(3)**	11	11
Net (increase)/decrease in own shares held		**(4)**	–	1
Other recognised gains and losses relating to the period		**(78)**	31	53
Closing shareholders' funds		**3,296**	3,132	3,263

Notes to the interim report

1. Segmental analysis

	Group turnover			Operating profit		
	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m	**24 weeks ended 28 February 2004 £m**	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Analysis by business						
Grocery	**1,169**	1,053	2,311	**71**	70	151
Primary food & agriculture	**749**	676	1,544	**85**	73	174
Ingredients	**133**	141	314	**15**	13	32
Retail	**399**	359	752	**50**	42	87
Inter company sales	**(116)**	(89)	(185)	**–**	–	–
Central costs	**–**	–	–	**(9)**	(8)	(16)
Pension credit	**–**	–	–	**8**	8	18
	2,334	2,140	4,736	**220**	198	446
Businesses disposed						
Grocery	**18**	66	86	**–**	2	–
Primary food & agriculture	**20**	35	69	**4**	2	2
Packaging	**–**	18	18	**–**	1	1
Pension credit	**–**	–	–	**–**	1	1
	2,372	2,259	4,909	**224**	204	450
Amortisation of goodwill	**–**	–	–	**(20)**	(17)	(42)
	2,372	2,259	4,909	**204**	187	408
Analysis by geography (by origin and destination)						
European Union (mainly UK and Ireland)	**1,496**	1,349	2,935	**161**	136	309
Australia & New Zealand	**317**	278	639	**10**	9	29
North America	**386**	405	862	**33**	40	77
Elsewhere	**153**	120	323	**8**	5	13
Inter company sales	**(18)**	(12)	(23)	**–**	–	–
Pension credit	**–**	–	–	**8**	8	18
	2,334	2,140	4,736	**220**	198	446
Businesses disposed						
European Union	**20**	93	127	**–**	5	5
Australia & New Zealand	**14**	13	33	**–**	(1)	(3)
North America	**–**	11	11	**–**	1	1
Elsewhere	**4**	2	2	**4**	–	–
Pension credit	**–**	–	–	**–**	1	1
	2,372	2,259	4,909	**224**	204	450
Amortisation of goodwill	**–**	–	–	**(20)**	(17)	(42)
	2,372	2,259	4,909	**204**	187	408

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

1. Segmental analysis continued

	Capital employed		
	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Analysis by business			
Grocery	**740**	787	704
Primary food & agriculture	**904**	854	699
Ingredients	**125**	130	134
Retail	**317**	292	293
Central capital employed	**(32)**	(50)	(30)
	2,054	2,013	1,800
Businesses disposed			
Grocery	**–**	10	5
Primary food & agriculture	**–**	16	11
	2,054	2,039	1,816
Analysis by geography			
European Union (mainly UK and Ireland)	**1,478**	1,397	1,207
Australia & New Zealand	**243**	244	234
North America	**182**	209	210
Elsewhere	**151**	163	149
	2,054	2,013	1,800
Businesses disposed			
European Union	**–**	20	15
Australia & New Zealand	**–**	10	5
Elsewhere	**–**	(4)	(4)
	2,054	2,039	1,816

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

Notes to the interim report continued

2. Tax on profit on ordinary activities

	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Tax charge comprises:			
UK corporation tax at 30%	**38**	38	82
Overseas income and corporation tax	**18**	9	35
Joint ventures and associates	**1**	–	2
Current tax charge	**57**	47	119
UK deferred taxation	**3**	2	2
Overseas deferred taxation	**4**	9	7
Total tax charge	**64**	58	128
Add back:			
Tax credit on goodwill amortisation	**4**	5	10
Tax credit on sale of fixed assets and businesses	**1**	1	–
Underlying tax charge	**69**	64	138

3. Earnings per ordinary share

	Pence	Pence	Pence
Adjusted earnings per ordinary share	**21.4**	19.3	42.6
Earnings per ordinary share on:			
Sale of fixed assets	**(0.1)**	(0.8)	1.5
Sale of businesses	**0.8**	1.4	1.8
Tax effect on above	**0.1**	0.2	–
Amortisation of goodwill	**(2.5)**	(2.2)	(5.3)
Tax credit on goodwill amortisation	**0.5**	0.6	1.3
Minority share	**–**	–	0.2
Earnings per ordinary share	**20.2**	18.5	42.1

4. Cash flow from operating activities

	£m	£m	£m
Operating profit	**196**	184	401
Amortisation of goodwill	**20**	17	42
Depreciation	**72**	72	142
(Increase)/decrease in working capital			
– stocks	**(259)**	(249)	(11)
– debtors	**(28)**	(36)	20
– creditors	**15**	85	30
Provisions	**–**	10	6
	16	83	630

5. Analysis of changes in financing

	24 weeks ended 28 February 2004 £m	24 weeks ended 1 March 2003 £m	52 weeks ended 13 September 2003 £m
Repayment of short-term loans	**(61)**	(49)	(224)
Issue of short-term loans	**65**	163	220
Repayment of loans over one year	**(6)**	(2)	(3)
Issue of loans over one year	**1**	15	4
Increase in bank borrowings	**–**	–	16
Net (decrease)/increase in borrowings	**(1)**	127	13
Increase in own shares held	**(4)**	–	–
	(5)	127	13

6. Reconciliation of net cash flow to movement in net funds

	£m	£m	£m
Increase/(decrease) in cash	**1**	(6)	26
Management of liquid funds	**(223)**	(76)	173
Net decrease/(increase) in borrowings	**1**	(127)	(13)
Change in net funds resulting from cash flows	**(221)**	(209)	186
Effect of currency changes	**17**	6	15
On acquisition of subsidiary undertakings	**(9)**	(11)	(13)
Movement in net funds	**(213)**	(214)	188
Opening net funds	**1,238**	1,050	1,050
Closing net funds	**1,025**	836	1,238

7. Analysis of net funds

	At 13 September 2003 £m	Cash flow £m	Acquisition of subsidiary undertakings £m	Exchange adjustments £m	**At 28 February 2004 £m**
Cash at bank and in hand	170	1	–	(13)	**158**
Short-term borrowings	(92)	(4)	(5)	12	**(89)**
Investments	1,542	(223)	–	(14)	**1,305**
Loans over one year	(382)	5	(4)	32	**(349)**
	1,238	(221)	(9)	17	**1,025**

8. Basis of preparation

The figures shown for the financial year ended 13 September 2003, which have been abridged from the group's 2003 financial statements, are not the group's statutory accounts. Those accounts have been reported on by the auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The figures for the 24 weeks ended 28 February 2004 and 1 March 2003 are unaudited.

Notes to the interim report continued

8. Basis of preparation continued

The interim financial information has been prepared on the basis of the accounting policies set out in the group's 2003 statutory accounts except for the adoption of UITF Abstract 38 – Accounting for ESOP Trusts. This abstract changes the presentation of an entity's own shares held in an employee share trust from requiring them to be recognised as assets to requiring them to be deducted in arriving at shareholders' funds. The impact of adopting UITF 38 has been to reclassify shares held by the Trust from fixed assets to reserves, reducing net assets by £10m at 1 March 2003 (13 September 2003 – £9m). In addition, the net cash outflow arising from the purchase of shares by the Trust has been reclassified from 'capital expenditure and financial investment' to 'financing'.

Independent review report by KPMG Audit Plc to Associated British Foods plc

Introduction

We have been engaged by the company to review the financial information set out on pages 8 to 16 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information, issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 24 weeks ended 28 February 2004.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
14 April 2004

Company Directory

Directors	Martin G Adamson Chairman George G Weston Deputy Chairman Peter J Jackson Chief Executive John G Bason WG Galen Weston OC The Rt. Hon. Lord MacGregor of Pulham Market, OBE† Michael R Alexander† Jeffery F Harris†
Company Secretary	Paul Lister
Registered Office	Weston Centre Bowater House 68 Knightsbridge London SW1X 7LQ Company registered in England, number 293262
Registrars and transfer office	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Website	http://www.abf.co.uk

†Independent non-executive director

Rt. Hon. Lord MacGregor is the senior independent director.

Martin G Adamson, Rt. Hon. Lord MacGregor, Michael R Alexander and Jeffery F Harris are members of the Remuneration and Nomination committees.

Rt. Hon. Lord MacGregor, Michael R Alexander and Jeffery F Harris are members of the Audit committee.

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