Interim Report 2006

Associated British Foods plc




At a glance

Associated British Foods is a diversified international food, ingredients and retail group with annual revenue of £5.6bn, and over 42,000 employees in 41 countries.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for profitable growth. We strive to achieve this through a combination of growth within our existing businesses, acquisition of complementary new businesses and achievement of high levels of operating efficiency.

Grocery

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

Hot beverages
Vegetable oils
Baked goods & packaged groceries
Herbs & spices
Meat & dairy

Revenue
£1,292m

Operating profit
£85m

Primary food & agriculture

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

Sugar
Animal feed
Seed processing

Revenue
£581m

Operating profit
£61m

Ingredients

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

Baking & confectionery ingredients
Yeast
Enzymes
Grain based ingredients
Emulsifiers, fractionated fats, sterols & esters
Polyols & antacid ingredients

Revenue
£343m

Operating profit
£33m

Retail

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

Fashion retail

Revenue
£530m*

Operating profit
£71m*

*excludes revenue and profit from trade out of Littlewoods

Financial highlights

for the 24 weeks ended 4 March 2006

	2006	2005	
Group revenue £m	**2,887**	2,618	+10%
Operating profit (adjusted)* £m	**255**	243	+5%
Profit before tax (adjusted)** £m	**255**	259	-2%
Earnings per share (adjusted)** p	**23.3**	23.6	-1%
Interim dividend per share p	**6.25**	6.00	+4%
Net (debt)/cash funds £m	**(162)**	464	
Profit before tax (unadjusted) £m	**234**	268	-13%
Earnings per share (unadjusted) p	**21.0**	25.1	-16%

*before amortisation of intangibles and profits less losses on the sale of property, plant & equipment
**before amortisation of intangibles, profits less losses on the sale of property, plant & equipment and losses on the sale of businesses

All figures stated after profits on the sale of businesses and property, plant & equipment and amortisation of intangibles are shown on the face of the consolidated income statement.

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Chairman's statement

This period has been an eventful one for the group. Imbalances in supply and demand within the EU sugar market and changes in producer behaviour in anticipation of the new regime resulted in price pressure and much lower profit for British Sugar. Energy costs have risen sharply and have affected all of our businesses. Primark has again produced excellent results despite a devastating fire at its main UK warehouse and there was good progress at AB Mauri, the recently acquired bakery ingredients business.

In the face of significant profit pressures, it is a demonstration of the resilience of the group that operating profit, before amortisation of intangibles and profits less losses on the sale of property, plant & equipment and businesses, rose by 5% to £255m. As expected net investment income has fallen and consequently net earnings attributable to shareholders have shown a marginal decline.

The EU Commission published final proposals for sugar regime reform in November which define the shape of the sugar market from 2009. The changes are aimed at reducing processing capacity within the EU, eliminating subsidised exports and reducing sugar prices. Producers in Least Developed Countries ('LDCs') will be able to sell sugar without quota or tariff into the EU. British Sugar has always recognised the need for reform and expects, as a highly efficient producer, to have a strong and profitable position within the EU sugar market. However, the changes and continued imbalances in supply and demand can be expected to affect the profit at British Sugar during the transition period.

In our grocery businesses, there was good organic growth in hot beverages, Ryvita and our Mexican oils business. However, profit growth was held back by lower UK bakery volumes and the final commissioning costs of the new Sydney bakery.

In Ingredients, the major feature was the good progress of AB Mauri, which reflected the benefit of volume increases and improved pricing for yeast and a very satisfactory growth in bakery ingredients. We continue to invest for future growth with the opening of a new factory in Western China and other capacity increases at many locations.

Primark's strong revenue and profit growth reflected a 6% like-for-like sales increase and the addition of seven new stores. This like-for-like growth was achieved against a background of weak sales in the UK high street generally but was inevitably affected by the warehouse fire, which occurred only eight weeks before Christmas. Stock levels have now recovered and the stores were ready for the Spring season. These results are a great credit to all Primark's people who reacted superbly to a crisis.

Following the acquisition of the Littlewoods retail business last July it is very satisfying that the profit from trading these stores prior to the closure in January was ahead of our expectations. Primark is now refurbishing and refitting 41 stores which will add a further 1.4 million sq ft to its retail selling space by early 2007. Good progress has been made in disposing of the remainder of the Littlewoods stores.

The investment in the stores for Primark is the major contributor to the £16m reduction in net investment income. As a result, profit before taxation, adjusted for profits less losses on the sale of property, plant & equipment and businesses and before amortisation of intangibles, fell by £4m to £255m. The group's underlying effective rate of tax was 27.1% as against 27.4% in the first half of the previous year. Adjusted earnings per share fell by 1% to 23.3p.

Negative cash flow from operations reflects the normal seasonal investment in working capital. This, together with continuing capital expenditure on renewing and extending capacity, particularly at Primark, and on new businesses, resulted in net borrowings at the period end of £162m, compared with net cash funds in September of £212m. The group's financial resources remain strong.

On 15 March ABF confirmed that it was in discussions that could involve it acquiring a 51% interest in Illovo Sugar Limited. At the time of writing these discussions continue. Illovo, which is quoted on the Johannesburg Securities Exchange with a market capitalisation of around £510m, is the largest sugar producer in Africa and one of the world's leading low cost sugar producers.

Our financial resources remain strong. The outlook for further progress in the long term remains good.

Martin Adamson
Chairman

It grows and processes sugar cane in South Africa and Swaziland, as well as Malawi, Mozambique, Tanzania and Zambia which are classified as LDCs. Total production in 2004/5 was 1.9 million tonnes. With the recently announced changes to the EU sugar regime, LDCs will receive unrestricted access for sugar exports to the EU from 2009.

British Sugar has a long experience of operations outside the UK, first in Poland and then in China. Its worldwide sugar production in 2004/5 was 2.0 million tonnes. A partnership between British Sugar and Illovo would enable the transfer of its expertise to support the development of Illovo's low cost production in Southern Africa and British Sugar would become Illovo's route to market when exports have unrestricted access to the EU from 2009.

In anticipation of reform, the proportion of the group accounted for by sugar has reduced substantially in recent years as major investments have been made in our other food businesses and in Primark. We are committed to our investment in British Sugar, a profitable and highly efficient producer, and the addition of Illovo would strengthen this position.

Dividends

The interim dividend will be 6.25p per share, an increase of 4% over last year. The interim dividend will be paid on 3 July 2006 to shareholders registered at the close of business on 2 June 2006.

International Financial Reporting Standards

These interim financial statements have been prepared under International Financial Reporting Standards ('IFRS') and apply the accounting policies published in our IFRS Transition Document on 15 December 2005. The comparative results have been restated accordingly.

Outlook

Operating profit in the remainder of the year will continue to be adversely affected by conditions in the UK sugar business, our bakery operations and by energy costs. The benefit of trading profits from the Littlewoods stores prior to their closure has ended, and there will be net interest payable in the second half of the year reflecting the investment in fitting out the former Littlewoods stores. As a consequence, some reduction in earnings after tax can be expected in the second half compared with the previous year.

Looking beyond the current year, the transition to the new EU sugar regime may well continue to impact on profits through 2006/7. We are confident that when the transition to the new regime is completed British Sugar will be satisfactorily profitable. We expect that the major investment in Primark will generate good returns which will build progressively as the new stores open and trading develops, and that there will be a substantial profit contribution in 2006/7 and beyond.

Our financial resources remain strong. Even allowing for a successful outcome of the discussions with Illovo Sugar, the group will be well placed to continue to fund further investment in its businesses. The outlook for further progress in the long term remains good.

Martin Adamson
Chairman
19 April 2006

Operating review

Group revenue increased by 10% to £2,887m and adjusted operating profit by 5% to £255m.

This growth in operating profit has been achieved in the period despite an increased cost of some £20m across the group from higher energy prices and a significant reduction in profit from our EU sugar operations. Although some businesses recovered the higher energy costs through pricing, an estimated half of the £20m cost was not recovered and consequently affected profit. Excluding energy, profit at British Sugar reduced by £22m which resulted from the weakness of the euro and lower sugar pricing, caused in turn by changes in producer behaviour in anticipation of the new regime and by oversupply within the market. This lower sugar pricing was more severe and earlier than we expected.

Many businesses delivered excellent growth in the period, notably Primark, from strong like-for-like sales growth and new store openings, AB Mauri and International Hot Beverages.

Grocery

	2006	2005
Revenue £m	**1,292**	1,235
Operating profit £m	**85**	84

Revenue increased by 5% to £1,292m and profit by 1% to £85m. Strong progress was made by Ryvita, International Hot Beverages and ACH. However, the overall profit increase was held back by lower volumes at Allied Bakeries, commissioning costs at the new Sydney bakery and lower sugar pricing in Silver Spoon.

ACH performed well. In Mexico, Capullo grew strongly and, supported by new advertising, has increased its market share. The Karo syrup brand, a recent acquisition, has been successfully integrated. In the US, the consumer brands in spices and yeast performed to expectation. In oils Mazola volumes were down in a category which declined sharply. Significant investment has been made to support the launch of Mazola Pure oil spray. This is an innovative pan release and flavour enhancing oil spray without the alcohol or silicone found in many competitive products. It has been well received by both the trade and consumers.

The UK cracker and crispbread market has continued to grow strongly and Ryvita achieved growth in its traditional products. Ryvita Minis, launched last year in the rapidly expanding healthy bagged snack market, continued to perform well. The brand was extended further with the launch of Ryvita Goodness nutritional bars in January.

Our international hot beverage brands, Twinings and Ovaltine, continued to grow well with investment in new products and marketing. Twinings showed strong growth in the UK following the launch of premium Everyday and with higher Green Tea sales. The television advertising, featuring Stephen Fry, was extended to Green Teas and infusions promoting their health and wellness benefits. The rationalisation of the tea packing cost base was successfully completed. Plants in France and the US have been closed and a new facility opened in Shanghai, China. Ovaltine benefited from growth in powder sales in Thailand and from new product launches in Thailand, China and Switzerland.

In Australia, profit at the bakery business was affected by commissioning costs of the new Sydney bakery. This new bakery replaces bakeries at Fairfield, which was destroyed by fire, and at Chatswood, which is now closed, and the distribution centre at Chipping Norton. Profitability of the New South Wales business will benefit once this facility is fully commissioned and a significant improvement is planned for the second half of the year. Good progress was made in all of the other Australian states and in New Zealand.

Performance at Allied Bakeries was unsatisfactory. Kingsmill and own label revenues both declined and profit fell as

George Weston
Chief Executive

The growth in operating profit of 5% has been achieved despite an increased cost of some £20m across the group from higher energy prices and a significant reduction in profit from our EU sugar operations.

a result. Steps are in place to recover lost volumes and to reduce our cost base further but a recovery in profitability is not likely in the second half.

In Silver Spoon both Light, a low calorie offering, and Billington's continued to perform well but pricing pressure on granulated sugar reduced profit.

Westmill's established position as a leading supplier to the UK ethnic food sector was strengthened with the acquisition in February of the Rajah, Green Dragon and Lotus brands from Heinz which it had just acquired from Danone. We also reached an agreement for the distribution of the Amoy brand in this channel.

Primary food & agriculture

Primary food

	2006	2005
Revenue £m	**282**	288
Operating profit £m	**53**	78

Agriculture

	2006	2005
Revenue £m	**299**	393
Operating profit £m	**8**	8

In Primary Food, revenue reduced to £282m and the sharp decline in profit from £78m to £53m was caused by the EU operations of British Sugar. Imbalances in supply and demand within the EU sugar market and changes in producer behaviour in anticipation of the new regime resulted in more severe price pressure than had been expected. In addition, profit was reduced by a weaker euro and significantly higher energy costs, particularly gas prices in the UK.

This year's processing campaigns were excellent with sugar production of 1.34 million tonnes in the UK and 206,000 tonnes in Poland. A number of production records were set covering productivity, sugar yields and energy usage.

The EU Commission published its final proposals for sugar regime reform last November which have now been accepted by the Council of Ministers. Implementation will commence in July 2006. The key components are cuts in sugar and beet prices of 36% and 39% respectively over a four year transition period and a reduction in total EU quota of 5 million tonnes from 17.4 million tonnes to 12.4 million tonnes. A restructuring mechanism for quota reduction has been adopted within the regulations. Quota volume can be surrendered to the Commission with compensation paid out of a levy, funded by the industry, over the first three years. Announcements by some European processors regarding their quota have already been made. We view these changes as positive and we expect that efficient sugar beet producers, like British Sugar, will have a strong and profitable position in the EU sugar market from 2009 onwards.

During the transition period the impact of these changes and imbalances in supply and demand can be expected to continue to affect the profit at British Sugar. In anticipation of oversupply in 2006/7, the Commission has announced a 2.5 million tonne transitional quota cut. This is higher than the current year and for British Sugar this equates to 133,000 tonnes in the UK and 20,000 tonnes in Poland. The Commission has confirmed that the restructuring levy will be based on the full permanent quota.

In a continued drive for efficiency, the Dobre and Unislaw factories in Poland have now been closed and investment in expansion at Glinojeck has created a world class beet processing factory. In the UK, work has continued on cost reduction.

Construction has started on the UK's first bioethanol production facility at Wissington. The 55,000 tonne, 70 million litres, unit will commence operations in February 2007 and has already attracted significant interest from the major oil companies.

The Chinese cane sugar operations performed well in the first campaign following the expansion of the Shibie and WuXuan factories. Capacity is now more than half a million tonnes although the factories will produce substantially below this level this year because of the much reduced cane crop caused by insufficient rainfall. Despite the lower crop, profit was maintained through sharply higher sugar prices.

In Agriculture revenue fell to £299m reflecting the sale of the grain trading business, Allied Grain, into Frontier, a joint venture with Cargill. Profit was maintained at £8m despite the effects of higher energy costs and avian influenza. Revenue from animal feeds in China was affected by a substantial cull of chickens in the North East following the outbreak of avian influenza there. Despite this our business in China continues to develop well and we have built a new feed mill in South Henan which will begin production in April.

Ingredients

	2006	2005
Revenue £m	**343**	254
Operating profit £m	**33**	25

AB Mauri, our international yeast and bakery ingredients business, contributed strongly to the increase in revenue of 35% to £343m and profit of 32% to £33m. This reflected a full half-year of profit following its acquisition during the first half of last year, the benefits of price and volume increases in yeast, and growth in bakery ingredients.

Good progress has been made with price increases for yeast in a number of key markets including North America, China, India and Western Europe. These have recovered higher raw material costs, particularly molasses and energy.

The newly opened factory in Western China is operating well. The existing Harbin and Hebei plants in China are in the process of expansion and will be completed in the second half of the year as will the expansion in Vietnam and at Chiplun in India.

We have worked hard to transfer our technology in bakery ingredients to all parts of AB Mauri. Resources are now in place in most markets with further opportunities to be developed particularly in China. Agreement has been reached to sell the small bakery mix and icings business of Cereform US which is based in Denver, Colorado. The operation was not well located and was loss-making. A loss of £5m on the sale of the business has been included in the income statement.

Our yeast extracts businesses achieved good growth and have benefited from improvements in manufacturing efficiency and yield. Plans are in place to expand capacity, increase the product range and enhance our position in the food and fermentation markets. Our enzymes business continues to focus on the introduction of new products, particularly in the textile and bakery sectors.

Despite higher energy costs our polyols business traded in line with last year, with food polyols benefiting from improved manufacturing efficiencies and antacids maintaining the improvement in performance seen last year.

Retail

Primark

	2006	2005
Revenue £m	**530**	448
Operating profit £m	**71**	59

Littlewoods

	2006	2005
Revenue £m	**141**	–
Operating profit £m	**16**	–

Primark performed well once again with a revenue increase of 18% to £530m and a profit increase of 20% to £71m. The revenue increase resulted from 6% growth in like-for-like sales and a substantial increase in retail selling space.

This is a remarkable result given the upheaval caused by the fire which destroyed the main UK warehouse last November. The potentially disastrous effect on the supply of stock to the stores was mitigated by the swift action of the management team. Operations were immediately transferred to an adjacent warehouse and back-up systems were rapidly commissioned. Deliveries to stores were restored after 48 hours and air-lifts and road transport were used to replace the lost warehouse stock. Like-for-like growth was inevitably affected by the fire but stock levels recovered well and we were ready for the Spring season.

The stock loss, additional costs of working and business interruption were insured and a substantial proportion of the cash for the stock loss and additional costs of working was received during the period. However, the profit includes a charge for the self-insurance element of the claim. The overall profit margin improved, despite this charge, benefiting from lower levels of discounts.

There was an extensive programme of new store openings in the period and initial trading has been very strong. Stores were opened in Dundalk, Lakeside Thurrock, Cardiff, Leicester, Bromley, Hull and Oxford. Three small stores were closed. At the end of the period we were trading from 126 stores and 2.9 million sq ft of retail selling space.

The Littlewoods retail business was acquired last July and comprised 120 stores. This business was very successfully traded out and finally closed in early January. The profit from trading of £16m was well ahead of our expectation at the time of the acquisition. Of the 79 stores not required by Primark 61 have now been sold and negotiations for the sale of the remainder are continuing. The remaining 41 stores are now being extensively refurbished and refitted and will open as Primark over a period from May to early 2007. In total we will add 1.4 million sq ft of retail selling space. By the end of the financial year in September 2006 we expect that 16 of these stores and 0.4 million sq ft of retail selling space will have commenced trading. The first store in Spain, at Plenilunio outside Madrid, is expected to open in early Summer.

This significant investment will have doubled the selling space in the UK from 1.8 million sq ft in September 2005 to 3.6 million sq ft when all these stores have opened. Primark will be firmly established as a major high street retailer.

George Weston
Chief Executive

Consolidated income statement

	Note	24 weeks ended 4 March 2006 £m	24 weeks ended 5 March 2005 £m	52 weeks ended 17 September 2005 £m
Revenue		2,887	2,618	5,622
Operating costs		(2,651)	(2,387)	(5,099)
		236	231	523
Share of profit from joint ventures and associates		3	2	7
Profits less losses on sale of property, plant & equipment		–	19	20
Operating profit		239	252	550
Adjusted operating profit	1	255	243	555
Profits less losses on the sale of property, plant & equipment		–	19	20
Amortisation of intangibles		(16)	(10)	(25)
Losses on sale of businesses		(5)	–	(1)
Provision for loss on termination of an operation		–	–	(47)
Profit before interest		234	252	502
Investment income		20	25	49
Interest payable		(25)	(14)	(34)
Other net financial income		5	5	10
Profit before taxation		234	268	527
Adjusted profit before taxation		255	259	580
Profits less losses on the sale of property, plant & equipment		–	19	20
Losses on sale of businesses		(5)	–	(1)
Provision for loss on termination of an operation		–	–	(47)
Amortisation of intangibles		(16)	(10)	(25)
Taxation – UK		(34)	(42)	(82)
– overseas		(32)	(26)	(59)
	2	(66)	(68)	(141)
Profit for the period		168	200	386
Attributable to:				
Equity shareholders		166	198	379
Minority interests		2	2	7
Profit for the period	6	168	200	386
Basic and diluted earnings per ordinary share (pence)	3	21.0	25.1	48.0

Consolidated balance sheet

	Note	At 4 March 2006 £m	At 5 March 2005 £m	At 17 September 2005 £m
Non-current assets				
Intangible assets		1,239	1,078	1,152
Property, plant & equipment		2,203	1,632	2,255
Investments in joint ventures		39	15	36
Investments in associates		18	13	15
Employee benefits asset		96	73	95
Deferred tax assets		78	41	78
Other investments		–	1	–
Total non-current assets		3,673	2,853	3,631
Current assets				
Non-current assets held for sale		77	12	9
Inventories		854	839	556
Trade and other receivables		758	665	678
Other investments		201	429	269
Cash and cash equivalents		354	640	929
Total current assets		2,244	2,585	2,441
Total assets		5,917	5,438	6,072
Current liabilities				
Interest bearing loans and overdrafts		(166)	(102)	(447)
Trade and other payables		(791)	(753)	(747)
Income tax		(99)	(116)	(113)
Amounts owed to joint ventures		(6)	(2)	(3)
Provisions		(11)	(13)	(61)
Total current liabilities		(1,073)	(986)	(1,371)
Non-current liabilities				
Interest bearing loans and overdrafts		(551)	(503)	(539)
Income tax		–	(2)	(4)
Provisions		(38)	(39)	(29)
Deferred tax liabilities		(251)	(186)	(233)
Employee benefits liability		(21)	(10)	(19)
Total non-current liabilities		(861)	(740)	(824)
Total liabilities		(1,934)	(1,726)	(2,195)
Net assets		3,983	3,712	3,877
Equity				
Issued capital		47	47	47
Other reserves		173	173	173
Translation reserve		78	15	42
Retained earnings		3,657	3,453	3,586
		3,955	3,688	3,848
Minority interest		28	24	29
Total equity	6	3,983	3,712	3,877

Consolidated cash flow statement

	24 weeks ended 4 March 2006 £m	24 weeks ended 5 March 2005 £m	52 weeks ended 17 September 2005 £m
Cash flow from operating activities			
Profit before taxation	234	268	527
Add back non-operating items			
Profits less losses on sale of property, plant & equipment	–	(19)	(20)
Losses on sale of businesses	5	–	1
Provision for loss on termination of an operation	–	–	47
Investment income	(20)	(25)	(49)
Interest payable	25	14	34
Other net financial income	(5)	(5)	(10)
Adjustments for			
Share of (profit) from joint ventures and associates	(3)	(2)	(7)
Amortisation	16	10	25
Depreciation	95	79	161
Pension cost less contributions	3	7	(8)
Increase in inventories	(279)	(306)	(25)
Increase in receivables	(58)	(15)	(20)
Increase/(decrease) in payables	14	52	(9)
(Decrease)/increase in other provisions	(45)	13	–
Cash generated from operations	(18)	71	647
Income taxes paid	(69)	(72)	(132)
Net cash from operating activities	(87)	(1)	515
Cash flows from investing activities			
Dividends received from joint ventures	–	–	2
Dividends received from associates	–	–	2
Purchase of property, plant & equipment	(156)	(142)	(403)
Sale of property, plant & equipment	83	31	39
Purchase of subsidiary undertakings	(100)	(630)	(1,130)
Sale of subsidiary undertakings	–	1	8
Sale of joint ventures and associates	–	1	(18)
Interest received	22	27	54
Loan repayment from joint venture	–	–	51
Net cash from investing activities	(151)	(712)	(1,395)
Cash flows from financing activities			
Dividends paid to minorities	(4)	(2)	(4)
Dividends paid to shareholders	(95)	(88)	(135)
Interest paid	(25)	(13)	(29)
Management of liquid resources	70	109	273
Financing	(287)	200	551
Net cash from financing activities	(341)	206	656
Net decrease in cash and cash equivalents	(579)	(507)	(224)
Cash and cash equivalents at the beginning of the period	929	1,144	1,144
Effect of exchange rate fluctuations on cash held	4	3	9
Cash and cash equivalents at the end of the period	354	640	929

Consolidated statement of recognised income and expense

	24 weeks ended 4 March 2006 £m	24 weeks ended 5 March 2005 £m	52 weeks ended 17 September 2005 £m
Actuarial losses on defined benefit schemes	–	–	(7)
Foreign exchange translation differences	39	16	44
Unrealised gain on sale of businesses	–	–	2
Movement of cash flow hedging position	(8)	–	–
Tax on currency translation differences	(2)	–	(1)
Net income recognised directly in equity	29	16	38
Profit for the period	168	200	386
Total recognised income and expense for the period	197	216	424
Adjustments relating to the adoption of IAS 32 and IAS 39 on 18 September 2005 (Equity shareholders)	9	–	–
	206	216	424
Attributable to:			
Equity shareholders	203	214	416
Minority interests	3	2	8
	206	216	424

Notes to the interim report

1. Segmental analysis

Business segments	Revenue 24 weeks ended 4 March 2006 £m	Revenue 24 weeks ended 5 March 2005 £m	Revenue 52 weeks ended 17 September 2005 £m	Adjusted operating profit 24 weeks ended 4 March 2006 £m	Adjusted operating profit 24 weeks ended 5 March 2005 £m	Adjusted operating profit 52 weeks ended 17 September 2005 £m
Grocery	1,292	1,235	2,590	85	84	185
Primary Food	282	288	700	53	78	166
Agriculture	299	389	735	8	8	20
Ingredients	343	254	583	33	25	65
Retail	671	448	1,006	87	59	140
Central	–	–	–	(11)	(11)	(21)
	2,887	2,614	5,614	255	243	555
Businesses disposed:						
Agriculture	–	4	8	–	–	–
	2,887	2,618	5,622	255	243	555
Geographical segments						
United Kingdom	1,487	1,364	2,923	133	140	314
Rest of Europe	312	296	638	36	35	72
The Americas	597	517	1,100	59	46	102
Australia, Asia & Rest of World	491	437	953	27	22	67
	2,887	2,614	5,614	255	243	555
Businesses disposed:						
United Kingdom	–	4	8	–	–	–
	2,887	2,618	5,622	255	243	555

1. Segmental analysis – 24 weeks ended 4 March 2006

Business segments	Grocery £m	Primary Food £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Total revenue	1,298	330	299	362	671	–	(73)	2,887
Internal revenue	(6)	(48)	–	(19)	–	–	73	–
Revenue from external customers	1,292	282	299	343	671	–	–	2,887
Adjusted operating profit	85	53	8	33	87	(11)	–	255
Amortisation of intangibles	(4)	–	–	(12)	–	–	–	(16)
Profits less losses on sale of property, plant & equipment	–	–	–	–	–	–	–	–
Losses on sale of businesses	–	–	–	(5)	–	–	–	(5)
Provision for loss on termination of an operation	–	–	–	–	–	–	–	–
Profit before interest and taxation	81	53	8	16	87	(11)	–	234
Net financing costs						(5)	–	(5)
Other net financial income						5	–	5
Income tax expense						(66)	–	(66)
Profit for the period	81	53	8	16	87	(77)	–	168
Segment assets (excl. investments in associates and joint ventures)	1,970	946	198	1,100	816	455	–	5,485
Investment in associates and joint ventures	6	6	25	20	–	–	–	57
Segment assets	1,976	952	223	1,120	816	455	–	5,542
Employee benefits asset						96	–	96
Deferred tax assets						78	–	78
Other investments						201	–	201
Segment liabilities	(337)	(159)	(56)	(113)	(168)	(13)	–	(846)
Interest bearing loans and overdrafts						(717)	–	(717)
Income tax						(99)	–	(99)
Deferred tax liabilities						(251)	–	(251)
Employee benefits liability						(21)	–	(21)
Net assets	1,639	793	167	1,007	648	(271)	–	3,983
Capital expenditure	38	22	4	18	69	11	–	162
Depreciation	37	26	3	13	13	3	–	95
Amortisation	4	–	–	12	–	–	–	16
Other significant non-cash expenses	–	–	–	–	–	–	–	–

Geographical segments	United Kingdom £m	Rest of Europe £m	The Americas £m	Australia, Asia & Rest of World £m	Eliminations £m	Total £m
Revenue from external customers	1,487	312	597	491	–	2,887
Segment assets	2,622	949	1,164	807	–	5,542
Capital expenditure	100	18	11	33	–	162
Depreciation	58	7	14	16	–	95
Amortisation	2	3	9	2	–	16
Other significant non-cash expenses	–	–	–	–	–	–

Notes to the interim report continued

1. Segmental analysis – 24 weeks ended 5 March 2005

Business segments	Grocery £m	Primary Food £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Total revenue	1,248	342	398	269	448	–	(91)	2,614
Businesses disposed	–	–	4	–	–	–	–	4
Internal revenue	(13)	(54)	(9)	(15)	–	–	91	–
Revenue from external customers	1,235	288	393	254	448	–	–	2,618
Adjusted operating profit	84	78	8	25	59	(11)	–	243
Amortisation of intangibles	(1)	–	–	(9)	–	–	–	(10)
Profits less losses on sale of property, plant & equipment	–	19	–	–	–	–	–	19
Losses on sale of businesses	–	–	–	–	–	–	–	–
Provision for loss on termination of an operation	–	–	–	–	–	–	–	–
Profit before interest and taxation	83	97	8	16	59	(11)	–	252
Net financing income						11	–	11
Other net financial income						5	–	5
Income tax expense						(68)	–	(68)
Profit for the period	83	97	8	16	59	(63)	–	200
Segment assets (excl. investments in associates and joint ventures)	1,787	897	282	929	497	474	–	4,866
Investment in associates and joint ventures	1	4	–	23	–	–	–	28
Segment assets	1,788	901	282	952	497	474	–	4,894
Employee benefits asset						73	–	73
Deferred tax assets						41	–	41
Other investments						430	–	430
Segment liabilities	(333)	(182)	(74)	(78)	(95)	(45)	–	(807)
Interest bearing loans and overdrafts						(605)	–	(605)
Income tax						(118)	–	(118)
Deferred tax liabilities						(186)	–	(186)
Employee benefits liability						(10)	–	(10)
Net assets	1,455	719	208	874	402	54	–	3,712
Capital expenditure	40	11	2	10	67	–	–	130
Depreciation	32	25	4	10	8	–	–	79
Amortisation	1	–	–	9	–	–	–	10
Other significant non-cash expenses	13	–	–	1	–	–	–	14

Geographical segments	United Kingdom £m	Rest of Europe £m	The Americas £m	Australia, Asia & Rest of World £m	Eliminations £m	Total £m
Revenue from external customers	1,368	296	517	437	–	2,618
Segment assets	2,432	783	945	734	–	4,894
Capital expenditure	77	20	7	26	–	130
Depreciation	49	7	10	13	–	79
Amortisation	1	2	5	2	–	10
Other significant non-cash expenses	–	5	9	–	–	14

1. Segmental analysis – 52 weeks ended 17 September 2005

Business segments	Grocery £m	Primary Food £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Total revenue	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	(21)	–	555
Amortisation of intangibles	(5)	–	–	(20)	–	–	–	(25)
Profits less losses on sale of property, plant & equipment	(1)	24	(3)	–	–	–	–	20
Losses on sale of businesses	1	–	3	–	–	(5)	–	(1)
Provision for loss on termination of an operation	–	–	–	–	(47)	–	–	(47)
Profit before interest and taxation	180	190	20	45	93	(26)	–	502
Net financing income						15	–	15
Other net financial income						10	–	10
Income tax expense						(141)	–	(141)
Profit for the period	180	190	20	45	93	(142)	–	386
Segment assets (excl. investments in associates and joint ventures)	1,937	727	173	992	877	873	–	5,579
Investment in associates and joint ventures	5	5	25	16	–	–	–	51
Segment assets	1,942	732	198	1,008	877	873	–	5,630
Employee benefits asset						95	–	95
Deferred tax assets						78	–	78
Other investments						269	–	269
Segment liabilities	(348)	(96)	(55)	(99)	(230)	(12)	–	(840)
Interest bearing loans and overdrafts						(986)	–	(986)
Income tax						(117)	–	(117)
Deferred tax liabilities						(233)	–	(233)
Employee benefits liability						(19)	–	(19)
Net assets	1,594	636	143	909	647	(52)	–	3,877
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	Rest of Europe £m	The Americas £m	Australia, Asia & Rest of World £m	Eliminations £m	Total £m
Revenue from external customers	2,931	638	1,100	953	–	5,622
Segment assets	2,555	1,181	1,075	819	–	5,630
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.

2. Income tax expense

	24 weeks ended 4 March 2006 £m	24 weeks ended 5 March 2005 £m	52 weeks ended 17 September 2005 £m
Current tax expense			
UK – corporation tax at 30%	28	39	84
Overseas – corporation tax	26	26	49
Over provided in prior years	–	–	(1)
	54	65	132
Deferred tax expense			
UK deferred tax	5	3	(2)
Overseas deferred tax	7	–	12
Over provided in prior years	–	–	(1)
Total income tax expense in income statement	66	68	141
Reconciliation of effective tax rate			
Profit before taxation	234	268	527
Less share of profit from joint ventures and associates	(3)	(2)	(7)
Profit before taxation excluding share of profit from joint ventures and associates	231	266	520
Nominal tax charge at UK corporation tax rate (30%)	69	80	156
Lower tax rates on overseas earnings	(10)	(11)	(25)
Expenses not deductible for tax purposes	7	3	9
Utilisation of losses	–	(5)	(1)
Deferred tax not recognised	–	1	3
Adjustments in respect of prior periods	–	–	(1)
	66	68	141

3. Earnings per ordinary share

	24 weeks ended 4 March 2006 Pence	24 weeks ended 5 March 2005 Pence	52 weeks ended 17 September 2005 Pence
Adjusted earnings per share	23.3	23.6	52.5
Earnings per share on:			
Sale of property, plant & equipment	–	2.4	2.5
Sale of businesses	(0.7)	–	(0.1)
Provision for loss on termination of operation	–	–	(6.0)
Tax effect on above	–	–	1.4
Amortisation of intangibles	(2.0)	(1.3)	(3.2)
Tax credit on intangibles amortisation	0.4	0.4	0.9
Earnings per ordinary share	21.0	25.1	48.0

4. Dividends

	24 weeks ended 4 March 2006 Pence	24 weeks ended 5 March 2005 Pence	52 weeks ended 17 September 2005 Pence
Per share			
2004 final	–	11.15	11.15
2005 interim	–	–	6.0
2005 final	12.0	–	–
	12.0	11.15	17.15
	£m	£m	£m
Total			
2004 final	–	88	88
2005 interim	–	–	47
2005 final	95	–	–
	95	88	135

The 2005 final dividend of 12p was declared on 2 December 2005 and totalled £95m when paid on 13 January 2006. The 2006 interim dividend of 6.25p will be paid on 3 July 2006 to shareholders on the register on 2 June 2006.

5. Analysis of net funds/(debt)

	At 17 September 2005 £m	Cash flow £m	Acquisition of subsidiary undertakings £m	Exchange adjustments £m	At 4 March 2006 £m
Cash and cash equivalents at bank and in hand	929	(579)	–	4	354
Short-term borrowings	(447)	285	(2)	(2)	(166)
Investments	269	(70)	–	2	201
Loans over one year	(539)	–	(1)	(11)	(551)
	212	(364)	(3)	(7)	(162)

Cash and cash equivalents comprise cash balances, call deposits and investments with maturities of three months or less.

6. Summary of movements in equity

	24 weeks ended 4 March 2006 £m	24 weeks ended 5 March 2005 £m	52 weeks ended 17 September 2005 £m
Opening shareholders' funds (as previously reported under UK GAAP)	–	3,496	3,496
Opening shareholders' funds (restated excluding IAS 32 and IAS 39)	3,877	–	–
Adjustments on adoption of IFRS from 18 September 2004	–	91	91
Adjustments relating to adoption of IAS 32 and IAS 39 on 18 September 2005	9	–	–
Opening shareholders' funds (restated)	3,886	3,587	3,587
Profit for the period	168	200	386
Other recognised income and expense for the period	29	16	38
Total recognised income and expense for the period	197	216	424
Dividends	(95)	(88)	(135)
Net decrease/(increase) in own shares held	(1)	2	7
Minority interests	(4)	(5)	(6)
Closing shareholders' funds	3,983	3,712	3,877
Attributable to:			
Equity shareholders	3,955	3,688	3,848
Minority interests	28	24	29
Closing shareholders' funds	3,983	3,712	3,877

7. Basis of preparation

The attached interim financial statements are the first interim financial statements following the adoption of International Financial Reporting Standards ('IFRS'). These interim financial statements have been prepared under IFRS applying the accounting policies published in the group's IFRS Transition Document on 15 December 2005. Detailed income statement, balance sheet and cash flow reconciliations to assist the reader in understanding the nature and quantum of differences between the application of UK Generally Accepted Accounting Practices ('UK GAAP') and IFRS for the restated comparative results for the year ended 17 September 2005 and for the 24 weeks ended 5 March 2005 are available on the company's website at www.abf.co.uk/media.

These interim financial statements have been prepared in accordance with accounting policies the group expects to follow in its first full IFRS financial statements which will be for the year ending 16 September 2006. EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 16 September 2006, be prepared in accordance with IFRS adopted for use in the EU ('adopted IFRS').

These interim financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 16 September 2006 or are expected to be endorsed and effective (or available for early adoption) at 16 September 2006, the group's first annual reporting date at which it is required to use adopted IFRS. Based on these IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 16 September 2006. In particular, the directors have assumed that the draft amendment to IAS 21, the Effects of Changes in Foreign Exchange Rates, issued by the IASB on 30 September 2005 will be adopted and endorsed by the EU. The draft amendment clarifies the identification and accounting for exchange differences on monetary items forming part of a net investment in a foreign operation and requires that exchange differences on such items be recognised in equity.

The adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 16 September 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 16 September 2006.

As allowed by IFRS 1, First-time adoption of IFRS, the group adopted IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement, prospectively from 18 September 2005. Therefore, until 17 September 2005, the group continued to hedge account for forecast foreign exchange transactions and commodity exposures in accordance with UK GAAP, and hence the comparative financial statements exclude the impact of these standards.

The half year results are unaudited and were approved by the board of directors on 19 April 2006. The comparative figures for the financial year ended 17 September 2005 and half year ended 5 March 2005 are not the company's statutory accounts for those financial periods. Those accounts, which were prepared under UK GAAP, have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

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 18 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 financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 7 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs adopted for use in the European Union. The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs as adopted for use in the European Union. This is because, as disclosed in note 7, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

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 group 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 4 March 2006.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
19 April 2006

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†Independent non-executive director

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

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

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

Designed and produced by **Sheppard Day**

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