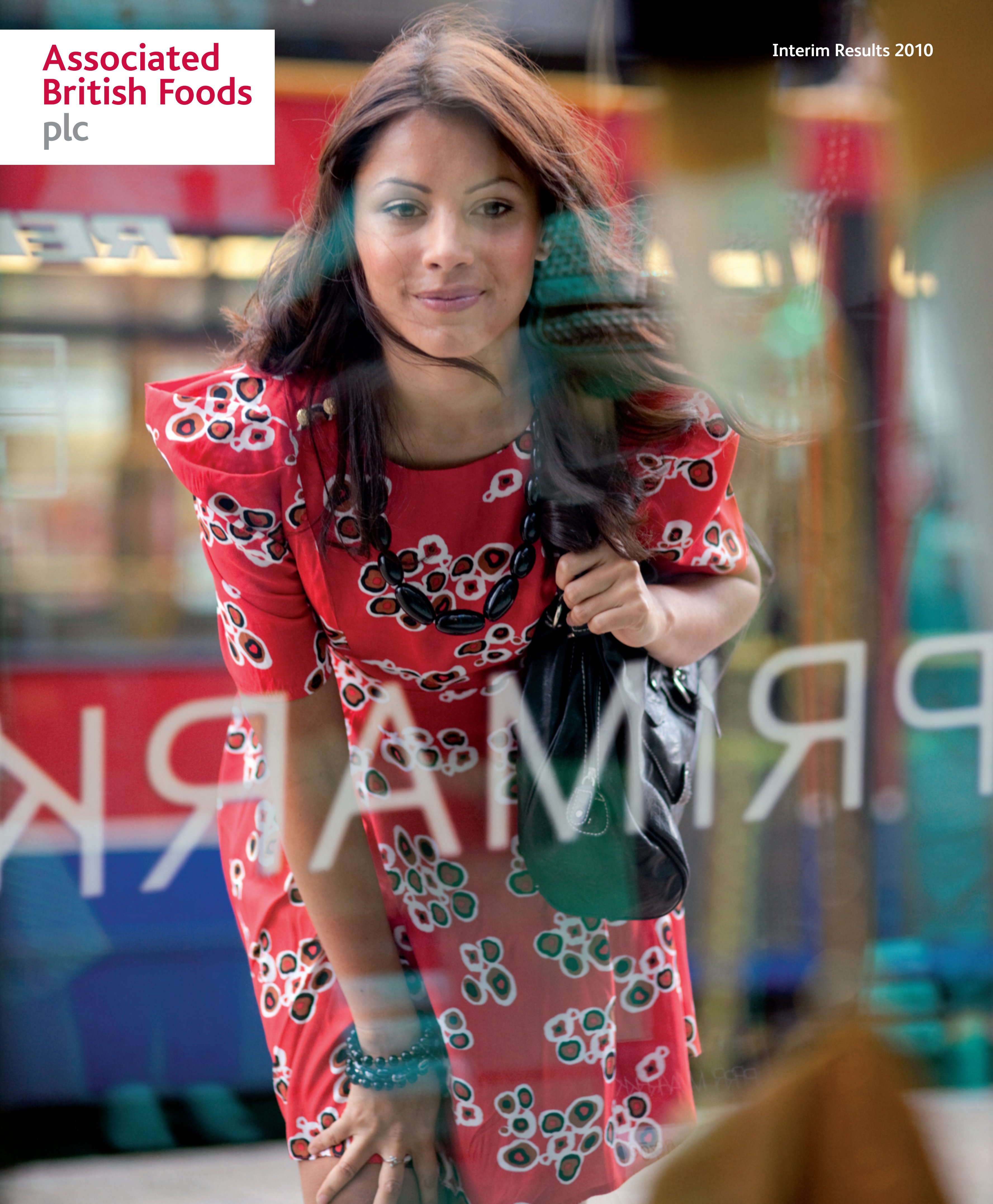
Associated British Foods plc

Interim Results 2010



Financial highlights

Associated British Foods is a diversified international food, ingredients and retail group with global sales of £9.3bn and 96,000 employees in 44 countries. We aim to achieve strong, sustainable leadership positions in markets that offer potential for profitable growth.

Group revenue
£4,796m Up 10%

Adjusted operating profit*
£370m Up 25%

Adjusted profit before tax**
£331m Up 20%

Adjusted earnings per share**
30.5p Up 21%

Dividend per share
7.6p Up 10%

Net debt
£1,090m

Operating profit
£336m Up 29%

Profit before tax
£320m Up 80%

Basic earnings per share
31.6p Up 80%

Contents

* before amortisation of non-operating intangibles and profits less losses on the sale of property, plant and equipment

** before amortisation of non-operating intangibles, profits less losses on the sale of property, plant and equipment and profits less losses on the sale and closure of businesses

Group at a glance

The group operates through strategic business segments: Sugar; Agriculture; Grocery; Ingredients; and Retail.

£931m
REVENUE
£85m
ADJUSTED OPERATING PROFIT
19%
PERCENTAGE OF TOTAL REVENUE

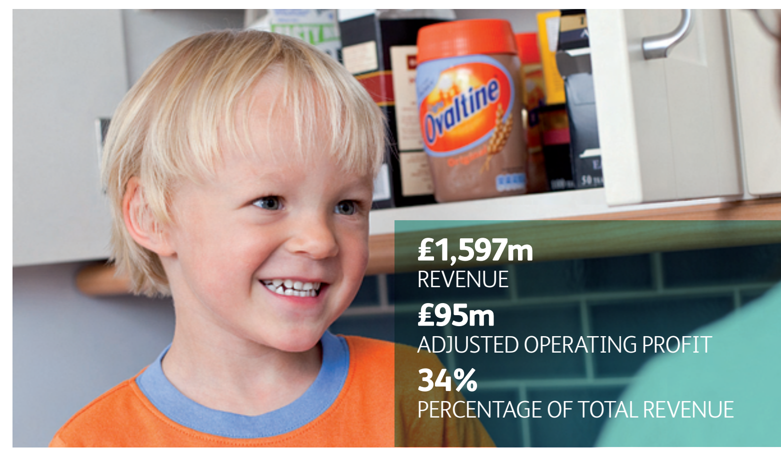
Sugar

Europe, China, southern Africa

£432m
REVENUE
£12m
ADJUSTED OPERATING PROFIT
9%
PERCENTAGE OF TOTAL REVENUE

Agriculture

UK, China



£1,597m
REVENUE
£95m
ADJUSTED OPERATING PROFIT
34%
PERCENTAGE OF TOTAL REVENUE

Grocery

Hot beverages, sugar & sweeteners, vegetable oils, bread, baked goods & cereals, world foods, herbs & spices and meat

£509m
REVENUE
£47m
ADJUSTED OPERATING PROFIT
11%
PERCENTAGE OF TOTAL REVENUE

Ingredients

Yeast and bakery ingredients, speciality ingredients

£1,263m
REVENUE
£144m
ADJUSTED OPERATING PROFIT
27%
PERCENTAGE OF TOTAL REVENUE

Retail

Primark and Penneys

Chairman's statement

This is an excellent set of results with revenue growth achieved in each business segment and a 25% increase in adjusted operating profit. Sterling weakness benefited the translated results of overseas businesses but had an adverse effect on the cost of imports, particularly goods sourced in US dollars for Primark. Profit exceeded our expectations with very strong trading across the group, a recovery in our China sugar business and the absence of losses on vegetable oil futures incurred in the US last year.

These results also reflect the benefit of our extensive and consistent capital investment in recent years which is now starting to deliver a return. Return on average capital employed improved from 14% in the first half last year to almost 16% this year, despite a large number of investment projects still in progress.

Net financing costs were higher than last year primarily as a consequence of the US private placement, which was completed in March 2009, and an increase in financing costs relating to the group's defined benefit pension schemes. The underlying tax rate of 26.6% compares with 25.1% in the first half last year reflecting a greater proportion of profit generated in countries with a higher tax rate. The profit attributable to minorities was lower than last year and adjusted earnings per share were 21% higher at 30.5 pence per share.

Profit from our sugar businesses was substantially ahead of last year with a very strong performance from the UK, benefiting from market stability following completion of EU sugar regime changes, and by the recovery of domestic sugar prices in China from the very depressed levels experienced last year due to an unusually large crop in 2008. Sugar prices in China are mainly driven by the balance of supply and demand in that market: production in most years is insufficient to meet domestic demand and there are strict import and export controls. As a result, the increase in Chinese sugar prices was only partly influenced by the world market price which rose to a 30-year high during the period but has subsequently fallen back somewhat as world crop forecasts for 2010/11 have improved.

World sugar price volatility has little effect on our sugar businesses elsewhere because the markets in which we operate are subject to government regulation to support agriculture. British Sugar and Azucarera sell predominantly into markets that are regulated by the EU. The volume of EU produced sugar that may be exported is strictly limited, as agreed with the World Trade Organization, but exceptionally these limits have been extended this year to meet increased international demand as a consequence of a shortfall in world supply. This year British Sugar and Azucarera expect to export some 9% of annual production at prevailing world market prices, higher than traditional export volumes. In southern Africa, our sugar businesses have significant export capacity but the majority of exports go to regional African markets where sugar trades at a premium to world levels reflecting local logistics costs. With the exception of South Africa, these businesses also have preferential access to the EU market which is traditionally more remunerative than the world market. Our South African business is a significant exporter to the world market but typically these exports have only accounted for some 15% of Illovo's total annual production. As our production outside South Africa increases this percentage can be expected to fall.

A highlight of the first half was Primark's achievement of an 8% like-for-like sales increase against a backdrop of recessionary pressure. Primark's stature on the UK high street was acknowledged recently when the business won the 'Retailer of the Year' award at the 2010 Retail Week Magazine Awards. At the same event, Arthur Ryan also accepted a Lifetime Achievement award, as voted for by a panel of senior UK retailers, in recognition of his 40 years as chief executive of Primark where his influence continues in his role as chairman.

Cash flow in the first half was much improved with a net cash inflow from operating activities more than double that of the comparative period. This was substantially the result of higher profit before taxation and depreciation. Moreover, the working capital outflow that we always see in the first half was also much reduced. Net capital investment remained strong with £315m spent in the period compared with £272m in the same period last year. Major projects currently in progress include construction of the Vivergo biofuels plant, sugar capacity expansion in Swaziland, the new meat factory in Australia, yeast and yeast extracts expansion in China as well as continued expenditure on new stores and extensions for Primark. Net debt for the group was £53m lower than last half year at £1.09bn benefiting from strong cash flows but was £91m higher than last year end of which £40m related to sterling weakness on the translation of foreign currency borrowings. Net debt also benefited by £115m from the minority shareholders' contribution to the Illovo rights issue in September.

Dividends

The board has decided that the interim dividend will be 7.6p, an increase of 10% on last year. This dividend will be paid on 2 July 2010 to shareholders registered at the close of business on 4 June 2010.

Outlook

At the Annual General Meeting in December we expressed a concern that the pace of economic recovery and the outlook for the UK consumer remained uncertain. Whilst we remain of this view, some easing of these pressures in the short term is evident in these results. Encouraged by the success to date and the strong momentum of the business into the second half, we are currently confident of achieving very good progress in earnings for the full year.

Charles Sinclair
Chairman
20 April 2010

Operating review

Group revenues increased by 10% to £4,796m and adjusted operating profit was 25% ahead of last year at £370m. Although these results include a translation benefit arising from the weakness of sterling, group revenue still increased by 5% and profit by 20% at constant currency. These results reflect strong performances across the group. Our Sugar business has been transformed, our brands and marketing strategies are delivering growth in Grocery, the broad geographic base continues to drive momentum in Ingredients, and Primark goes from strength to strength.

We have invested substantially over the last few years. It is pleasing to see the benefit from the completion of a number of projects, particularly the increase in capacity of enzyme production in Finland, retail sugar packing in the UK and sugar production in Zambia. The restructuring work in Grocery, in ACH, AB World Foods and Jordans Ryvita has also delivered benefits. There has been continued investment in new stores for Primark and especially in Spain which performed very strongly this half year.

A number of projects are still under way and we have the prospect of further returns from these once they are completed. The Vivergo biofuels plant in Hull, the expansion of sugar production in Swaziland, the new meat factory in Castlemaine in Australia and the yeast and yeast extract expansion in Harbin, in north east China, are expected to come on stream later this calendar year and into 2011. Investment in new stores for Primark continues apace and the recently announced agreement to acquire ten Bhs stores demonstrates the further potential for development of our UK presence.

Sugar

Revenue
£931m (2009, £645m)
Operating profit
£85m (2009, £61m)

Profit from Sugar was 39% ahead of last year driven by a strong performance in the UK and a recovery in China. The sale of the Polish sugar business was completed on 25 November 2009 and its revenue and profit to the date of disposal are excluded from the results of continuing businesses. A profit of £33m on this transaction is included in the income statement within profits less losses on sale and closure of businesses which is excluded from adjusted operating profit.

In the EU, the UK business had an excellent campaign. Favourable growing conditions and improved beet yields led to production of 1.3 million tonnes of sugar which was better than expected and 9% ahead of last year. Despite freezing conditions over the winter, the crop was not significantly affected with the campaign finishing successfully in March. Factory performance was excellent with record operating efficiencies achieved. The business also benefited from firmer pricing, a strong euro, lower than anticipated net energy costs and increased sales to the world sugar market.

Azucarera, our Iberian sugar business, also started the year well with increased sales volumes and market share. However, the sale of high-cost inventory from the previous financial year, now completed, constrained its profit contribution. Excessive rain during the winter has been a major problem and factory operations in the north were disrupted with growers struggling to move beet from the fields. In the south, much of the crop has been under water. With the southern crop drilled in October and therefore relatively newly emerged, the high level of rainfall is a cause for concern for the campaign scheduled to commence in June with a quota of 79,000 tonnes of sugar. The Guadalete sugar refinery near Cadiz was successfully commissioned and the installation of a combined heat and power plant is now well advanced.

In Africa, Illovo had a difficult second half of the season to March 2010 and sugar production for the year is expected to be 1.7 million tonnes. Sugar production in Malawi, Mozambique and Swaziland was close to expectation but drought in South Africa and, latterly, heavy rains in Zambia, Tanzania and South Africa restricted access to cane in the fields and brought refining to a premature close. Coupled with a weakening of the currencies outside South Africa and the impact of a strengthening of the rand on South African exports, profit fell despite record world sugar prices. The Zambian expansion is now fully commissioned, as are other smaller projects in Malawi and Tanzania. A major expansion of the Ubombo sugar operation in Swaziland has commenced and will result in factory capacity increasing by 50%. The factory's power cogenerating capacity is also to be substantially increased, yielding surplus electricity for export to the national grid. In Mozambique, further expansion to double factory capacity is progressing as planned and will be completed in time for the new season. Illovo has streamlined its South African operations with last year's sale of the Pongola and Umfolozi mills and the formation of a new joint venture to operate the Gledhow mill. From 1 April 2010 these operations have been incorporated into a subsidiary wholly owned by Illovo.

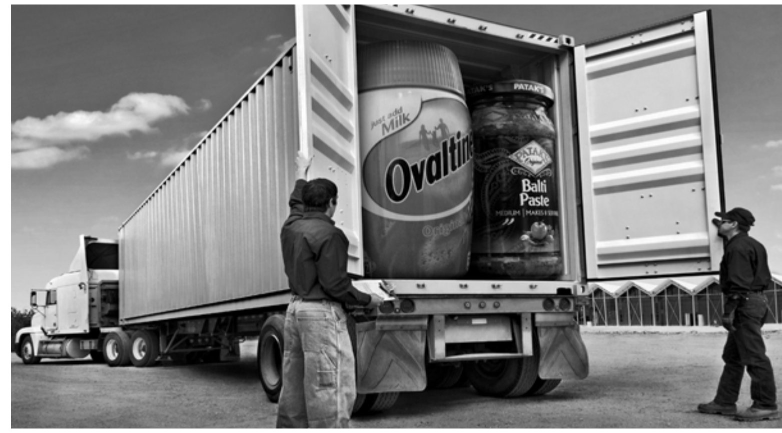
In China, sugar prices increased substantially and at times reached record levels during the period although they have softened a little recently. Sugar production was lower than last year following the effect of drought on cane yields in the south and a smaller beet crop in the north, but we achieved a considerable improvement in profitability. This turnaround was driven by the combination of a recovery in market prices and good factory operations. Production in south China is forecast to be 470,000 tonnes, in line with last year, but well below capacity of some 700,000 tonnes. In the north, the campaign delivered 104,000 tonnes of sugar and this lower volume enabled the business to focus on agricultural development at fewer locations. Development of this business is taking longer than expected but substantial progress has been made in securing local government support for beet cultivation through farmer training. More than 70,000 farmers have attended training sessions in the use of small machinery, agricultural chemicals and crop husbandry.

Construction of Vivergo's wheat bioethanol plant is continuing and is expected to be fully operational by summer 2011. Bioethanol prices in the first half have been high, to the benefit of our existing bioethanol facility at Wissington which operated at full capacity throughout the period.

Agriculture

Revenue
£432m (2009, £417m)
Operating profit
£12m (2009, £18m)

UK feed revenues were ahead in all sectors except sugar beet feed, which was affected by lower prices. Growth in speciality feeds and nutrition exceeded expectations. Adjusted operating profit in the first half was lower than last year's exceptionally high level with reduced volatility in UK grain markets leading to lower profit from trading activities in Frontier.



Our pig and poultry feed business benefited from sterling weakness which has significantly improved the competitiveness of British pork and poultry. Furthermore, the UK retail trade continues to promote home produced meat for which consumer demand is strong. In the ruminant sector, low pricing of competitive products led to reduced selling prices and lower demand for UK sugar beet feed.

Our specialist nutrition business continued its expansion into Central and Eastern Europe and is now making regular shipments to pig producers in Russia, a very large and fast-growing market. International sales of specialist feed enzymes achieved strong sales growth largely driven by sales into the Americas.

In China, while growth was achieved in both ruminant and pig feed volumes, poultry margins in the north were down sharply. Competition increased as flock sizes reduced significantly following a fall in egg prices. A new feed mill was commissioned in Henan and a ruminant-specific mill will be commissioned in Tianjin in the autumn.

At Frontier, grain trading profit returned to more normal levels following two years of exceptional results. Crop planting conditions in the autumn were good and yield potential is high which led to a buoyant market for fertiliser and crop protection products. Frontier is developing new services for applying fertiliser more accurately by enabling arable farmers to access satellite images of their crops during the growing season from a dedicated website.

Grocery

Revenue
£1,597m (2009, £1,537m)
Operating profit
£95m (2009, £62m)

Grocery revenue increased by 4% to £1,597m and profit rose by 53% to £95m. This represents a strong underlying profit performance from all of our UK grocery businesses, reflecting the benefits of restructuring work undertaken last year, and a much improved contribution from our US bottled oils operations all of which more than offset a charge for manufacturing reorganisation at Twinings.

The Twinings and Ovaltine brands both delivered a strong sales performance. This was supported by a higher level of marketing investment, particularly for Twinings in the UK, US and Australia. The weakness of sterling contributed to higher profits on translation, but even at constant currency, double-digit underlying profit growth was achieved through higher volumes and price increases to cover input costs. A proposed restructuring of Twinings' global tea supply chain was announced in November 2009 which will double the size of our factory in China and create a new facility in Poland. Significant investment will also be made at our plant in Andover to support production from the UK. A provision of £19m has been made in these results for the cost of this restructuring which is expected to be completed by summer 2012.

In the UK, Allied Bakeries continued to trade well with the Kingsmill brand delivering good growth. Revenues were underpinned by advertising, particularly around the successful launch last autumn of the Little Big Loaf. Other brands also saw growth, with Burgen increasing its share of the positive health market and Allinson consolidating its position as the leading brand in the premium wholemeal sector. Profit benefited from an improved mix of branded sales despite increased promotional expenditure.

In Australia, operational improvements and new product launches by our bakery business resulted in an increase in profit, enhanced in sterling terms by the strength of the Australian dollar. In the Don KRC meat business, falling commodity costs led to lower prices and consequently lower sales revenues while operating margin was affected by strong competition. Further progress was made in the construction of the Castlemaine meat factory and we announced the closure of the abattoir in Queensland which had been acquired with the KR Castlemaine business. A provision of £10m for the exit from this business has been charged in the income statement to profits less losses on sale and closure of businesses.

Silver Spoon saw an increase in demand for home-baking ingredients, particularly the Cakecraft range which was launched last summer, unrefined cane sugars and Allinson flour. Profit benefited from this higher demand and also from last year's packaging plant rationalisation that transferred operations from Newark to the expanded plant at Bury St Edmunds.

At Westmill Foods profit has improved although not yet back to the levels achieved two years ago. Indian and Chinese restaurants and takeaways are important end users of our brands. Since the onset of the recession, these markets have declined substantially as a result of consumers cutting back on discretionary spend. Westmill has focused on price and value propositions and has continued to invest in its key brands which have shown volume growth and improved market shares as a result.

Advertising support for Patak's drove good UK revenue growth and exports of Patak's and Blue Dragon products were strongly ahead of last year. Whilst the weakness of sterling benefited export activity, its continued weakness increased the cost of imported raw materials and constrained margins. Good profit growth was achieved in the first half with the benefit of the higher sales and a good operating performance at the sauces factory in Poland.

A number of cost reduction and procurement initiatives, together with the full effect of the business integration, resulted in a profit increase over the previous year at Jordans Ryvita. Sales of Jordans in the UK increased with advertising support for Country Crisp, but sales for Ryvita were lower following delists of underperforming lines.

At ACH in the US, profit rebounded sharply when compared to the first half last year when high commodity costs depressed sales and a long corn oil procurement position compressed margins. In the first half of this year oil markets returned to a more normal level. The recession had a positive impact on several product categories as consumers ate out less and prepared more meals at home resulting in growth in the oil and baking categories where ACH participates. The Stratas

joint venture has successfully transitioned its manufacturing capacity from ACH facilities to plants owned by Stratas and ACH has now ceased operations at its Champaign and Jacksonville sites. Recession in Mexico resulted in a difficult trading environment for Capullo but profit was ahead of last year.

Ingredients

Revenue
£509m (2009, £476m)
Operating profit
£47m (2009, £40m)

Ingredients achieved a revenue increase of 7% over last year to £509m and, with an improved margin, operating profit increased by 18% to £47m. The yeast and bakery ingredients business traded well and ABF Ingredients benefited from better lactose prices in speciality proteins and from lower overhead costs.

AB Mauri, our yeast and bakery ingredients business, delivered a strong performance. Trading results, particularly in North America and Latin America, were significantly above the prior year, driven by a good performance in the yeast businesses coupled with the continued expansion of our technical and traditional bakery ingredients business. Commodity costs were generally lower than last year although the benefit was partly offset by localised increases in molasses costs driven by high world sugar prices. The integration of the recently acquired European bakery ingredients business was completed and contributed strongly to the result.

A number of capital projects are in progress. We continued our programme to upgrade effluent treatment plants in China, India, Vietnam, Argentina and the UK, and the new yeast plant being built in Harbin, north east China, is on track for commissioning before the end of the financial year. This plant will produce yeast for domestic and export markets as well as yeast extracts. Our business in Chile was affected by the severe earthquake at the end of February. None of our employees was injured but our offices, distribution centre and bakery ingredients plant in Santiago suffered some structural damage. Work is under way to rebuild the damaged premises and alternative arrangements have been made to ensure continuity of supply to customers.

The performance of ABF Ingredients was much improved. Having been capacity constrained for some time, the enzymes business achieved revenue growth in the period with the benefit of the recently completed expansion to its manufacturing facility in Finland. Strong sales growth in feed enzymes was driven by new product registrations and increased market coverage. Yeast extracts in the US delivered a strong profit increase following a move to replace third-party distribution with a direct sales force. The European business will remain capacity constrained until the end of the financial year when product becomes available from our new yeast extracts facility in Harbin, China. In the speciality protein business lactose pricing increased profit and the sale of the Norfolk, Nebraska site was completed in February.

Retail

Revenue
£1,263m (2009, £1,065m)
Operating profit
£144m (2009, £122m)

Primark's results were excellent with a revenue increase of 19% to £1,263m and profits ahead 18% to £144m.

Trading was strong throughout the first half and well ahead of our expectations. The substantial increase in first half revenues reflects the increase in retail selling space but also an exceptional performance from our 14 Spanish stores and an 8% increase in like-for-like sales across the business. This result was all the more impressive given the strong comparative period last year. Gross margin fell at the beginning of the year as a result of the higher cost of goods sourced in US dollars when sterling was at its weakest last year, but the second quarter benefited from the strengthening of sterling against the US dollar last summer. Towards the end of the period we experienced a significant increase in freight costs from Asia. With the benefit of higher volumes, operating margin, at 11.4%, was little changed from last year.

At the end of February we were operating from 196 stores and 6.1 million sq ft of selling space. Since last year end we have opened five new stores: Cambridge and Wood Green in the UK; Frankfurt in Germany; Porto in Portugal; and our first store in Belgium; in Liège. We also reopened our store in Waterford in Ireland following a substantial extension. We expect to open a further six stores in the second half; three in Spain and three in the UK in Chester, Bury and Blackburn. Primark has recently announced the purchase of ten Bhs stores which, once refitted, will open progressively during the next financial year adding some 300,000 sq ft of selling space. In February we acquired a 220,000 sq ft freehold warehouse in Naas in Ireland which will be operational in the summer and will replace a leased warehouse of similar capacity. As a consequence of the recent growth and anticipated further expansion in Iberia, we will take occupancy in the summer of a 200,000 sq ft leasehold warehouse located to the north east of Madrid at Torija.

At the Retail Week Awards 2010 held in the UK in March, Arthur Ryan, Primark's chairman was presented with a Lifetime Achievement award for his outstanding contribution to the retail industry over the last 40 years. Primark also won the 'Retailer of the Year' award and 'Store Design of the Year' award for the new Bristol store.

George Weston
Chief Executive

Condensed consolidated income statement

CONTINUING OPERATIONS	Note	**24 weeks ended 27 February 2010 £m**	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m
REVENUE	1	**4,796**	4,374	9,255
Operating costs		**(4,470)**	(4,116)	(8,639)
		326	258	616
Share of profit after tax from joint ventures and associates		**6**	2	10
Profits less losses on sale of property, plant & equipment		**4**	–	(1)
OPERATING PROFIT		**336**	260	625
Adjusted operating profit	1	**370**	297	720
Profits less losses on sale of property, plant & equipment		**4**	–	(1)
Amortisation of non-operating intangibles		**(38)**	(37)	(82)
Inventory fair value adjustment		**–**	–	(12)
Profits less losses on sale and closure of businesses	2	**23**	(60)	(65)
PROFIT BEFORE INTEREST		**359**	200	560
Finance income		**5**	9	17
Finance expense		**(42)**	(39)	(95)
Other financial (expense)/income		**(2)**	8	13
PROFIT BEFORE TAXATION		**320**	178	495
Adjusted profit before taxation		**331**	275	655
Profits less losses on sale of property, plant & equipment		**4**	–	(1)
Amortisation of non-operating intangibles		**(38)**	(37)	(82)
Inventory fair value adjustment		**–**	–	(12)
Profits less losses on sale and closure of businesses	2	**23**	(60)	(65)
Taxation – UK		**(29)**	(16)	(71)
– Overseas		**(45)**	(20)	(41)
	3	**(74)**	(36)	(112)
PROFIT FOR THE PERIOD		**246**	142	383
ATTRIBUTABLE TO:				
Equity shareholders		**249**	139	359
Minority interests		**(3)**	3	24
PROFIT FOR THE PERIOD		**246**	142	383
Basic and diluted earnings per ordinary share (pence)	4	**31.6**	17.6	45.5
Dividends per share for the period (pence)	5	**7.6**	6.9	21.0

Condensed consolidated statement of comprehensive income

	24 weeks ended 27 February 2010 £m	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m
PROFIT FOR THE PERIOD RECOGNISED IN THE INCOME STATEMENT	**246**	142	383
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Actuarial losses on defined benefit schemes	**(5)**	(367)	(217)
Deferred tax associated with defined benefit schemes	**2**	102	62
Effect of movements in foreign exchange	**308**	343	270
Net loss on hedge of net investment in foreign subsidiaries	**(32)**	(88)	(27)
Deferred tax associated with movements in foreign exchange	**–**	–	1
Current tax associated with movements in foreign exchange	**–**	–	(4)
Movement in cash flow hedging position	**24**	(47)	(81)
Deferred tax associated with movement in cash flow hedging position	**(9)**	12	18
Share of other comprehensive income/(expense) of joint ventures and associates	**–**	–	(1)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**288**	(45)	21
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**534**	97	404
ATTRIBUTABLE TO:			
Equity shareholders	**512**	79	361
Minority interests	**22**	18	43
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**534**	97	404

Condensed consolidated balance sheet

	27 February 2010 £m	28 February 2009 £m	12 September 2009 £m
NON-CURRENT ASSETS			
Intangible assets	**1,972**	1,938	1,913
Property, plant & equipment	**3,791**	3,291	3,519
Biological assets	**102**	75	92
Investments in joint ventures	**128**	107	122
Investments in associates	**35**	26	32
Employee benefits assets	**6**	12	16
Deferred tax assets	**168**	186	184
Other receivables	**186**	17	140
TOTAL NON-CURRENT ASSETS	**6,388**	5,652	6,018
CURRENT ASSETS			
Assets classified as held for sale	**–**	–	136
Inventories	**1,339**	1,346	1,262
Biological assets	**119**	90	101
Trade and other receivables	**1,242**	1,218	1,121
Other financial assets	**29**	80	12
Cash and cash equivalents	**431**	351	383
TOTAL CURRENT ASSETS	**3,160**	3,085	3,015
TOTAL ASSETS	**9,548**	8,737	9,033
CURRENT LIABILITIES			
Liabilities classified as held for sale	**–**	–	(26)
Loans and overdrafts	**(669)**	(290)	(584)
Trade and other payables	**(1,506)**	(1,319)	(1,413)
Other financial liabilities	**(43)**	(90)	(76)
Income tax	**(122)**	(79)	(113)
Provisions	**(72)**	(74)	(248)
TOTAL CURRENT LIABILITIES	**(2,412)**	(1,852)	(2,460)
NON-CURRENT LIABILITIES			
Loans	**(852)**	(1,205)	(806)
Provisions	**(187)**	(119)	(173)
Deferred tax liabilities	**(401)**	(416)	(396)
Employee benefits liabilities	**(120)**	(316)	(122)
TOTAL NON-CURRENT LIABILITIES	**(1,560)**	(2,056)	(1,497)
TOTAL LIABILITIES	**(3,972)**	(3,908)	(3,957)
NET ASSETS	**5,576**	4,829	5,076
EQUITY			
Issued capital	**47**	47	47
Other reserves	**173**	173	173
Translation reserve	**660**	460	439
Hedging reserve	**(15)**	(9)	(32)
Retained earnings	**4,262**	3,853	4,121
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**5,127**	4,524	4,748
Minority interests	**449**	305	328
TOTAL EQUITY	**5,576**	4,829	5,076

Condensed consolidated cash flow statement

	Note	24 weeks ended 27 February 2010 £m	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation		**320**	178	495
Profits less losses on sale of property, plant & equipment		**(4)**	–	1
Profits less losses on sale and closure of businesses		**(23)**	60	65
Inventory fair value adjustment		**–**	–	12
Finance income		**(5)**	(9)	(17)
Finance expense		**42**	39	95
Other financial expense/(income)		**2**	(8)	(13)
Share of profit after tax from joint ventures and associates		**(6)**	(2)	(10)
Amortisation		**41**	39	85
Depreciation		**153**	132	290
Net change in the fair value of biological assets		**(16)**	(18)	(19)
Share-based payment expense		**4**	3	5
Pension costs less contributions		**1**	–	(40)
Increase in inventories		**(50)**	(246)	(13)
(Increase)/decrease in receivables		**(64)**	128	159
Increase/(decrease) in payables		**15**	(80)	(100)
Purchases less sales of current biological assets		**(1)**	2	(7)
Decrease in provisions		**(18)**	(12)	(20)
Cash generated from operations		**391**	206	968
Income taxes paid		**(52)**	(49)	(135)
NET CASH FROM OPERATING ACTIVITIES		**339**	157	833
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from joint ventures and associates		**2**	1	4
Purchase of property, plant & equipment		**(294)**	(267)	(545)
Purchase of intangibles		**(9)**	(12)	(24)
Purchase of non-current biological assets		**–**	(3)	(10)
Sale of property, plant & equipment		**9**	10	19
Quota renunciation compensation		**–**	–	101
Purchase of subsidiaries, joint ventures and associates		**(26)**	(9)	(266)
Sale of subsidiaries, joint ventures and associates		**–**	–	145
Loans to joint ventures		**(39)**	–	(52)
Purchase of minority interests		**(4)**	–	(2)
Purchase of other investments		**–**	(5)	(4)
Interest received		**5**	7	12
NET CASH FROM INVESTING ACTIVITIES		**(356)**	(278)	(622)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to minority interests		**(12)**	(10)	(23)
Dividends paid to equity shareholders		**(111)**	(107)	(161)
Interest paid		**(28)**	(39)	(89)
Decrease in other current investments		**–**	9	12
Financing:				
Increase in short-term loans		**86**	61	283
Increase/(decrease) in long-term loans		**1**	249	(100)
Net proceeds of rights issue taken up by minorities		**115**	–	19
Movements from changes in own shares held		**2**	–	(15)
NET CASH FROM FINANCING ACTIVITIES		**53**	163	(74)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**36**	42	137
Cash and cash equivalents at the beginning of the period		**361**	210	210
Effect of movements in foreign exchange		**25**	20	14
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	**422**	272	361

Condensed consolidated statement of changes in equity

	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
		Attributable to equity shareholders							
Balance as at 13 September 2009		47	173	439	(32)	4,121	4,748	328	5,076
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		–	–	249	17	246	512	22	534
TRANSACTIONS WITH OWNERS									
Dividends paid to equity shareholders	5	–	–	–	–	(111)	(111)	–	(111)
Net movement in own shares held		–	–	–	–	6	6	–	6
Dividends paid to minority interests		–	–	–	–	–	–	(12)	(12)
Changes in ownership of subsidiaries		–	–	(28)	–	–	(28)	111	83
Total transactions with owners		–	–	(28)	–	(105)	(133)	99	(34)
Balance as at 27 February 2010		47	173	660	(15)	4,262	5,127	449	5,576
Balance as at 14 September 2008		47	173	221	25	4,088	4,554	290	4,844
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		–	–	239	(34)	(126)	79	18	97
TRANSACTIONS WITH OWNERS									
Dividends paid to equity shareholders	5	–	–	–	–	(107)	(107)	–	(107)
Net movement in own shares held		–	–	–	–	4	4	–	4
Dividends paid to minority interests		–	–	–	–	–	–	(10)	(10)
Changes in ownership of subsidiaries		–	–	–	–	(6)	(6)	7	1
Total transactions with owners		–	–	–	–	(109)	(109)	(3)	(112)
Balance as at 28 February 2009		47	173	460	(9)	3,853	4,524	305	4,829
Balance as at 14 September 2008		47	173	221	25	4,088	4,554	290	4,844
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		–	–	218	(57)	200	361	43	404
TRANSACTIONS WITH OWNERS									
Dividends paid to equity shareholders	5	–	–	–	–	(161)	(161)	–	(161)
Net movement in own shares held		–	–	–	–	(10)	(10)	–	(10)
Dividends paid to minority interests		–	–	–	–	–	–	(23)	(23)
Changes in ownership of subsidiaries		–	–	–	–	4	4	18	22
Total transactions with owners		–	–	–	–	(167)	(167)	(5)	(172)
Balance as at 12 September 2009		47	173	439	(32)	4,121	4,748	328	5,076

Notes to the condensed consolidated interim financial statements

1. Operating segments

The group discloses five operating segments, as described below. These are the group's operating divisions, based on the group's management and internal reporting structure, which combine businesses with common characteristics.

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement, but all line items from adjusted operating profit to profit before interest are segmented. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents. Segment liabilities comprise trade and other payables, other financial liabilities and provisions. 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, cash, borrowings, employee benefits balances and current and deferred tax balances. 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.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, cereals, ethnic foods, herbs & spices, and meat products which are sold to retail, wholesale and foodservice businesses.
Sugar	The growing and 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 for the agriculture sector.
Ingredients	The manufacture of bakers' yeast, bakery ingredients, speciality proteins, enzymes, lipids and yeast extracts.
Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of certain geographical information about the group's operations, based on the geographical groupings: United Kingdom; Europe & Africa; The Americas; and Asia Pacific.

Revenues are shown by reference to the geographical location of customers. Profits are shown by reference to the geographical location of the businesses. Segment assets are based on the geographical location of the assets.

	Revenue			Adjusted operating profit		
	24 weeks ended 27 February 2010 £m	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m	**24 weeks ended 27 February 2010 £m**	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m
OPERATING SEGMENTS						
Grocery	**1,597**	1,537	3,188	**95**	62	191
Sugar	**931**	645	1,475	**85**	61	168
Agriculture	**432**	417	913	**12**	18	34
Ingredients	**509**	476	989	**47**	40	88
Retail	**1,263**	1,065	2,314	**144**	122	252
Central	**–**	–	–	**(18)**	(15)	(34)
	4,732	4,140	8,879	**365**	288	699
Businesses disposed:						
Grocery	**11**	139	177	**1**	–	–
Sugar	**20**	45	100	**4**	9	21
Agriculture	**33**	43	91	**–**	–	–
Ingredients	**–**	7	8	**–**	–	–
	64	234	376	**5**	9	21
	4,796	4,374	9,255	**370**	297	720
GEOGRAPHICAL INFORMATION						
United Kingdom	**2,061**	1,914	4,049	**195**	175	354
Europe & Africa	**1,202**	840	1,927	**63**	74	198
The Americas	**520**	522	1,068	**66**	26	85
Asia Pacific	**949**	864	1,835	**41**	13	62
	4,732	4,140	8,879	**365**	288	699
Businesses disposed:						
United Kingdom	**33**	43	91	**–**	–	–
Europe & Africa	**20**	45	100	**4**	9	21
The Americas	**11**	146	185	**1**	–	–
	64	234	376	**5**	9	21
	4,796	4,374	9,255	**370**	297	720

Notes to the condensed consolidated interim financial statements continued

1. Operating segments for the 24 weeks ended 27 February 2010

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	1,600	975	434	545	1,263	–	(85)	4,732
Businesses disposed	11	20	33	–	–	–	–	64
Internal revenue	(3)	(44)	(2)	(36)	–	–	85	–
Revenue from external customers	1,608	951	465	509	1,263	–	–	4,796
Adjusted operating profit from continuing businesses	93	87	9	44	144	(18)	–	359
Share of profit after tax from joint ventures and associates	2	(2)	3	3	–	–	–	6
Businesses disposed	1	4	–	–	–	–	–	5
Adjusted operating profit	96	89	12	47	144	(18)	–	370
Amortisation of non-operating intangibles	(12)	(17)	–	(9)	–	–	–	(38)
Profits less losses on sale of property, plant & equipment	4	–	–	–	–	–	–	4
Profits less losses on sale and closure of businesses	(10)	33	–	–	–	–	–	23
Profit before interest	78	105	12	38	144	(18)	–	359
Finance income						5	–	5
Finance expense						(42)	–	(42)
Other financial income						(2)	–	(2)
Taxation						(74)	–	(74)
PROFIT FOR THE PERIOD	78	105	12	38	144	(131)	–	246
Segment assets (excluding investments in associates and joint ventures)	2,527	2,720	270	1,387	1,788	88	–	8,780
Investments in associates and joint ventures	36	41	53	33	–	–	–	163
SEGMENT ASSETS	2,563	2,761	323	1,420	1,788	88	–	8,943
Cash and cash equivalents						431	–	431
Employee benefits assets						6	–	6
Deferred tax assets						168	–	168
SEGMENT LIABILITIES	(537)	(562)	(96)	(164)	(281)	(168)	–	(1,808)
Loans and overdrafts						(1,521)	–	(1,521)
Income tax						(122)	–	(122)
Deferred tax liabilities						(401)	–	(401)
Employee benefits liabilities						(120)	–	(120)
NET ASSETS	2,026	2,199	227	1,256	1,507	(1,639)	–	5,576
Capital additions	69	82	6	40	92	10	–	299
Depreciation	45	45	3	19	40	1	–	153
Amortisation	14	17	–	10	–	–	–	41

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	2,094	1,222	531	949	–	4,796
Segment assets	3,475	2,562	1,097	1,809	–	8,943
Capital additions	88	117	12	82	–	299
Depreciation	76	33	16	28	–	153
Amortisation	6	20	9	6	–	41

1. Operating segments for the 24 weeks ended 28 February 2009

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	1,542	689	417	498	1,065	–	(71)	4,140
Businesses disposed	139	45	43	7	–	–	–	234
Internal revenue	(5)	(44)	–	(22)	–	–	71	–
Revenue from external customers	1,676	690	460	483	1,065	–	–	4,374
Adjusted operating profit from continuing businesses	66	61	13	39	122	(15)	–	286
Share of profit after tax from joint ventures and associates	(4)	–	5	1	–	–	–	2
Businesses disposed	–	9	–	–	–	–	–	9
Adjusted operating profit	62	70	18	40	122	(15)	–	297
Amortisation of non-operating intangibles	(13)	(11)	–	(13)	–	–	–	(37)
Profits less losses on sale and closure of businesses	(53)	–	–	(7)	–	–	–	(60)
Profit before interest	(4)	59	18	20	122	(15)	–	200
Finance income						9	–	9
Finance expense						(39)	–	(39)
Other financial income						8	–	8
Taxation						(36)	–	(36)
PROFIT FOR THE PERIOD	(4)	59	18	20	122	(73)	–	142
Segment assets (excluding investments in associates and joint ventures)	2,518	2,288	248	1,292	1,575	126	–	8,047
Investments in associates and joint ventures	19	38	45	31	–	–	–	133
SEGMENT ASSETS	2,537	2,326	293	1,323	1,575	126	–	8,180
Cash and cash equivalents						351		351
Employee benefits assets						12		12
Deferred tax assets						186		186
Other current investments						8		8
SEGMENT LIABILITIES	(505)	(477)	(92)	(151)	(213)	(164)	–	(1,602)
Loans and overdrafts						(1,495)		(1,495)
Income tax						(79)		(79)
Deferred tax liabilities						(416)		(416)
Employee benefits liabilities						(316)		(316)
NET ASSETS	2,032	1,849	201	1,172	1,362	(1,787)	–	4,829
Capital additions	33	118	3	31	82	2	–	269
Depreciation	43	32	3	16	38	–	–	132
Impairment of property, plant & equipment	35	–	–	–	–	–	–	35
Amortisation	14	12	–	13	–	–	–	39
Impairment of intangibles on closure of business	6	–	–	–	–	–	–	6

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	1,957	885	668	864	–	4,374
Segment assets	3,518	1,930	1,204	1,528	–	8,180
Capital additions	89	98	8	74	–	269
Depreciation	75	22	13	22	–	132
Impairment of property, plant & equipment	–	–	35	–	–	35
Amortisation	6	16	12	5	–	39
Impairment of intangibles on closure of business	–	–	6	–	–	6

Notes to the condensed consolidated interim financial statements continued

1. Operating segments for the 52 weeks ended 12 September 2009

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	3,197	1,580	914	1,033	2,314	–	(159)	8,879
Businesses disposed	177	103	91	8	–	–	(3)	376
Internal revenue	(9)	(108)	(1)	(44)	–	–	162	–
Revenue from external customers	3,365	1,575	1,004	997	2,314	–	–	9,255
Adjusted operating profit from continuing businesses	199	166	23	83	252	(34)		689
Share of profit after tax from joint ventures and associates	(8)	2	11	5	–	–	–	10
Businesses disposed	–	21	–	–	–	–	–	21
Adjusted operating profit	191	189	34	88	252	(34)	–	720
Inventory fair value adjustment	–	(12)	–	–	–	–	–	(12)
Amortisation of non-operating intangibles	(27)	(25)	(1)	(29)	–	–	–	(82)
Profits less losses on sale of property, plant & equipment	–	(1)	–	–	–	–	–	(1)
Profits less losses on sale and closure of businesses	(57)	(2)	–	(6)	–	–	–	(65)
Profit before interest	107	149	33	53	252	(34)	–	560
Finance income						17	–	17
Finance expense						(95)	–	(95)
Other financial income						13	–	13
Taxation						(112)	–	(112)
PROFIT FOR THE PERIOD	107	149	33	53	252	(211)	–	383
Segment assets (excluding investments in associates and joint ventures)	2,414	2,570	230	1,240	1,780	54	–	8,288
Investments in associates and joint ventures	32	42	51	29	–	–	–	154
SEGMENT ASSETS	2,446	2,612	281	1,269	1,780	54	–	8,442
Cash and cash equivalents						391	–	391
Employee benefits assets						16	–	16
Deferred tax assets						184	–	184
SEGMENT LIABILITIES	(503)	(557)	(90)	(150)	(339)	(296)	–	(1,935)
Loans and overdrafts						(1,390)	–	(1,390)
Income tax						(114)	–	(114)
Deferred tax liabilities						(396)	–	(396)
Employee benefits liabilities						(122)	–	(122)
NET ASSETS	1,943	2,055	191	1,119	1,441	(1,673)	–	5,076
Capital additions	96	184	11	77	177	5	–	550
Depreciation	89	76	8	32	85	–	–	290
Impairment of property, plant & equipment	37	–	–	–	–	–	–	37
Amortisation	29	27	–	29	–	–	–	85
Impairment of intangibles on closure of business	6	–	–	–	–	–	–	6
Other significant non-cash expenses (inventory fair value adjustment)	–	12	–	–	–	–	–	12

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	4,140	2,027	1,253	1,835	–	9,255
Segment assets	3,258	2,689	1,021	1,474	–	8,442
Capital additions	198	189	20	143	–	550
Depreciation	149	62	27	52	–	290
Impairment of property, plant & equipment	–	–	37	–	–	37
Amortisation	14	35	26	10	–	85
Impairment of intangibles on closure of business	–	–	6	–	–	6
Other significant non-cash expenses (inventory fair value adjustment)	–	12	–	–	–	12

2. Profits less losses on sale and closure of businesses

In the current period, a gain of £33m was realised on disposal of the group's Polish sugar business on 25 November 2009, following clearance from the Polish National Competition Authority. A provision of £10m has also been made for the closure of the group's abattoir operations in Queensland, Australia. See note 6 for further details. In the previous half year, the £60m loss on disposal related to provision for the sale and closure of the group's main commodity oil processing plants in the US and the milk protein factory in Norfolk, Nebraska. In the preceding full year, the £65m charge comprised the same items as at the half year, together with the sale of the Pongola sugar mill in South Africa.

3. Income tax expense

	24 weeks ended 27 February 2010 £m	24 weeks ended 28 February 2009 £m	52 weeks ended 12 September 2009 £m
CURRENT TAX EXPENSE			
UK – corporation tax at 28%	**26**	14	63
Overseas – corporation tax	**34**	25	86
Under-provided in prior periods	**–**	–	3
	60	39	152
DEFERRED TAX EXPENSE			
UK deferred tax	**3**	2	10
Overseas deferred tax	**11**	(5)	(48)
Under/(over)-provided in prior periods	**–**	–	(2)
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	**74**	36	112
RECONCILIATION OF EFFECTIVE TAX RATE			
Profit before taxation	**320**	178	495
Less share of profit from joint ventures and associates	**(6)**	(2)	(10)
PROFIT BEFORE TAXATION EXCLUDING SHARE OF PROFIT AFTER TAX FROM JOINT VENTURES AND ASSOCIATES	**314**	176	485
Nominal tax charge at UK corporation tax rate of 28%	**88**	49	136
Lower tax rates on overseas earnings	**(13)**	(19)	(44)
Expenses not deductible for tax purposes	**8**	6	12
Gains not chargeable for tax purposes	**(9)**	–	–
Deferred tax not recognised	**–**	–	7
Adjustments in respect of prior periods	**–**	–	1
	74	36	112
INCOME TAX RECOGNISED DIRECTLY IN EQUITY			
Deferred tax associated with defined benefit schemes	**(2)**	(102)	(62)
Deferred tax associated with movement in cash flow hedging position	**9**	(12)	(18)
Deferred tax associated with movements in foreign exchange	**–**	–	(1)
Current tax associated with movements in foreign exchange	**–**	–	4
	7	(114)	(77)

4. Earnings per ordinary share

	24 weeks ended 27 February 2010 pence	24 weeks ended 28 February 2009 pence	52 weeks ended 12 September 2009 pence
ADJUSTED EARNINGS PER SHARE	**30.5**	25.2	57.7
Sale of property, plant & equipment	**0.5**	–	(0.1)
Sale and closure of businesses	**2.9**	(7.6)	(8.3)
Inventory fair value adjustment	**–**	–	(1.5)
Tax effect on above adjustments	**0.2**	2.7	3.6
Amortisation of non-operating intangibles	**(4.8)**	(4.7)	(10.4)
Tax credit on non-operating intangibles amortisation and goodwill	**1.5**	1.5	3.2
Minority interest share of amortisation of non-operating intangibles net of tax	**0.8**	0.5	1.3
EARNINGS PER ORDINARY SHARE	**31.6**	17.6	45.5

Notes to the condensed consolidated interim financial statements continued

5. Dividends

	24 weeks ended 27 February 2010 pence	24 weeks ended 28 February 2009 pence	52 weeks ended 12 September 2009 pence
PER SHARE			
2008 final	**–**	13.50	13.50
2009 interim	**–**	–	6.90
2009 final	**14.10**	–	–
	14.10	13.50	20.40
	£m	£m	£m
TOTAL			
2008 final	**–**	107	107
2009 interim	**–**	–	54
2009 final	**111**	–	–
	111	107	161

The 2009 final dividend of 14.1p per share was approved on 4 December 2009 and totalled £111m when paid on 8 January 2010. The 2010 interim dividend of 7.6p per share will be paid on 2 July 2010 to shareholders on the register on 4 June 2010.

6. Acquisitions and disposals

There were no acquisitions in the period. The £26m cash flow in the period relates to settlement of deferred consideration on prior year acquisitions.

During the period, the group disposed of its Polish sugar business. The group also announced the closure of its abattoir operations in Queensland, Australia. Costs associated with these disposals are included within cash and deferred consideration.

The assets and liabilities of the Polish sugar business were shown within assets and liabilities held for sale at 12 September 2009.

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

	2010 carrying values £m
NET ASSETS	
Intangible assets	**1**
Property, plant & equipment	**69**
Inventories	**37**
Trade and other receivables	**20**
Trade and other payables	**(37)**
Cash and cash equivalents	**2**
Taxation	**(2)**
Net identifiable assets and liabilities	**90**
Minority interests disposed	**(3)**
Goodwill	**29**
Recycle of effect of movement in foreign exchange	**(28)**
Profits less losses on sale and closure of business	**23**
Total consideration	**111**
SATISFIED BY	
Cash consideration	**124**
Deferred consideration	**5**
Provisions made	**(18)**
NET CASH	
Cash consideration	**3**
Cash and cash equivalents disposed	**(2)**
Cash consideration in respect of prior year disposals	**(1)**
Amounts previously received in respect of current year disposals	**122**
	122

6. Acquisitions and disposals continued

Provisions of £18m made on the sale and closure of businesses comprise redundancy and other rationalisation costs.

The net cash of £122m in the disposal table above differs from the cash flow on sale of subsidiaries, joint ventures and associates shown in the cash flow statement by £122m as this cash was received in the preceding financial year and was included in the cash flow statement in the same caption for the year ended 12 September 2009. This advance consideration was included within provisions as at 12 September 2009 as the disposal of the Polish sugar business was still subject to competition clearance from the relevant authorities (clearance was subsequently received in November 2009).

7. Analysis of net debt

	At 12 September 2009 £m	Net cash flow £m	Exchange adjustments £m	**At 27 February 2010 £m**
Cash at bank and in hand, cash equivalents and overdrafts	361	36	25	**422**
Short-term borrowings	(554)	(86)	(20)	**(660)**
Loans over one year	(806)	(1)	(45)	**(852)**
	(999)	(51)	(40)	**(1,090)**

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 cash flow statement. Investments comprise current asset investments which are included within other financial assets in the consolidated balance sheet.

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the year ended 12 September 2009. There have been no material changes in these relationships in the 24 weeks ended 27 February 2010 or up to the date of this report.

No related party transactions have taken place in the first 24 weeks of the current financial year that have materially affected the financial position or the performance of the group during that period.

9. Basis of preparation

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 24 weeks ended 27 February 2010 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in associates and jointly controlled entities.

The consolidated financial statements of the group for the year ended 12 September 2009 are available upon request from the Company's registered office at 10 Grosvenor Street, London W1K 4QY or at www.abf.co.uk

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the year ended 12 September 2009.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 12 September 2009.

The 24 week period for the condensed consolidated interim financial statements of the Company mean that the second half of the year is usually a 28 week period, and the two halves of the reporting year are therefore not of equal length. For the Retail segment, Christmas, falling in the first half of the year, is a particularly important trading period. For the Sugar segment, the balance sheet, and working capital in particular, is strongly influenced by seasonal growth patterns for both sugar beet and sugar cane, which vary significantly in the markets in which the group operates.

The condensed consolidated interim financial statements are unaudited but have been subject to an independent review by the auditors, and were approved by the board of directors on 20 April 2010. They do not constitute statutory financial statements as defined in s434 of the Companies Act 2006. The comparative figures for the financial year ended 12 September 2009 have been abridged from the group's 2009 financial statements and are not the Company's statutory financial statements for that period. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The interim results announcement has been prepared solely to provide additional information to shareholders as a body to assess the group's strategies and the potential for those strategies to succeed. This interim results announcement should not be relied upon by any other party or for any other purpose.

Notes to the condensed consolidated interim financial statements continued

10. Significant accounting policies

Except as described below, the accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements for the year ended 12 September 2009.

Accounting for business combinations

The group has applied the revised versions of IFRS 3 *Business combinations* and IAS 27 *Consolidated and separate financial statements* with effect from 13 September 2009. The standards apply prospectively to all business combinations executed from that date. Business combinations executed prior to that date, and the resolution of related issues, are dealt with under the preceding version of the standards as previously applied by the group.

The revised standards introduce changes in a number of areas, including the requirement to recognise changes in contingent consideration in the income statement rather than as an adjustment to goodwill; the requirement to recognise contingent liabilities at fair value; and the requirement to expense acquisition costs as incurred rather than treating them as part of the cost of acquisition.

The group did not complete any business combinations in the 24 weeks ended 27 February 2010, and therefore the application of these revised standards has no material impact on the group's condensed consolidated interim financial statements.

Accounting for borrowing costs

The group has applied the amendment to IAS 23 *Borrowing costs* with effect from 13 September 2009. For qualifying items of property, plant & equipment and intangibles, where the commencement date for capitalisation was on or after 13 September 2009, the group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of those qualifying assets as part of their cost. Previously, the group recognised all borrowing costs as an expense as incurred. The standard applies prospectively and accordingly comparative periods have not been restated. The change in accounting policy has no material impact on the group's condensed consolidated interim financial statements.

Determination and presentation of operating segments

The group has applied IFRS 8 *Operating segments* which became effective on 13 September 2009, and has been applied retrospectively. Operating segments are determined based on the information that is presented to the board of directors, which is the chief operating decision-maker as defined in IFRS 8. Since the application of this new standard affects only disclosure and presentation, there is no impact on reported profit, earnings per share or net assets. Further information on the group's operating segments is included in note 1.

Presentation of financial statements

The group has applied IAS 1 (Revised) *Presentation of financial statements* which became effective on 13 September 2009. As a result, all owner changes in equity are presented in the consolidated statement of changes in equity, which becomes a primary statement. Previously, this information was included in a note to the financial statements. All non-owner changes in equity are now presented in the consolidated statement of comprehensive income, which is also a primary statement. This information was previously included in the consolidated statement of recognised income and expense, which was also a primary statement.

The standard also introduces some changes of terminology, the majority of which are voluntary and have not been adopted. However, a small number of changes have been incorporated, including the names of the consolidated statement of changes in equity and the consolidated statement of comprehensive income, as described above.

Comparative information has been re-presented so that it conforms with the revised standard. Since the change in accounting policy only impacts presentation, there is no impact on reported profit, earnings per share or net assets.

Cash flow statement

The group has amended the way in which it presents adjustments relating to biological assets, in the reconciliation in the cash flow statement between profit before taxation and cash generated from operations. Previously, the change in fair value mainly attributable to growth of sugar cane was shown as a separate adjustment, and the impact of harvested cane was shown in the inventory movement. The impact of these two items is now shown net as one separate adjustment, as this better presents the impact of biological assets on the cash flows of the group. Prior period amounts have been amended to reflect this change. There is no impact on cash generated from operations as a result of this change.

Cautionary statements and responsibility statement

Cautionary statements

This interim results announcement contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the key risks facing the group's businesses at an operational level are included on pages 38 to 41 of the group's statutory financial statements for the year ended 12 September 2009, as part of the corporate governance report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the operating review as appropriate.

Responsibility statement

The interim results announcement complies with the Disclosure and Transparency Rules ('the DTR') of the Financial Services Authority in respect of the requirement to produce a half yearly financial report.

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 as adopted by the EU;
- this interim results announcement includes a fair review of the important events during the first half and their impact on the financial information, and a description of principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- this interim results announcement includes a fair review of the disclosure of related party transactions and changes therein as required by DTR 4.2.8R.

George Weston
Chief Executive
20 April 2010

John Bason
Finance Director
20 April 2010

Charles Sinclair
Chairman
20 April 2010

On behalf of the board

Independent review report to Associated British Foods plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim results announcement for the 24 weeks ended 27 February 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). 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 results announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results announcement in accordance with the DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim results announcement has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim results announcement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim results announcement for the 24 weeks ended 27 February 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Stephen Oxley
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB

20 April 2010

Directory

Associated British Foods plc
Registered office
Weston Centre
10 Grosvenor Street
London W1K 4QY

Company registered in England,
number 293262

Company secretary
Paul Lister

Registrar and transfer office
Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Auditors
KPMG Audit Plc
Chartered Accountants

Bankers
Barclays Bank plc
Lloyds Banking Group plc
The Royal Bank of Scotland plc

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Panmure Gordon & Co
Moorgate Hall
155 Moorgate
London EC2M 6XB

Website
www.abf.co.uk

Directors
Charles Sinclair, Chairman*√
George G Weston, Chief Executive
John G Bason, Finance Director
WG Galen Weston
Tim Clarke*‡√†
Lord Jay of Ewelme, GCMG*‡√†
Javier Ferrán*√†
Peter Smith*‡√†

* member of the Remuneration committee
‡ member of the Audit committee
√ member of the Nomination committee
† independent non-executive director

Tim Clarke is the senior independent director

Associated British Foods plc

Associated British Foods plc
Weston Centre
10 Grosvenor Street
London
W1K 4QY

Tel + 44 (0) 20 7399 6500
Fax + 44 (0) 20 7399 6580

www.abf.co.uk