

For release 7 November 2006

ASSOCIATED BRITISH FOODS plc

Preliminary Announcement

Year ended 16 September 2006

For release 7 November 2006

Associated British Foods plc preliminary results for year ended 16 September 2006

A resilient performance and a year of significant investment.

Financial Highlights

- Adjusted operating profit up 1% to £561m*
- Group revenue up 7% to £6.0bn
- Adjusted profit before tax down 4% to £559m **
- Adjusted earnings per share down 3% to 50.9p **
- Dividends per share up 4% to 18.75p
- Investment in capital expenditure and acquisitions of £760m
- Net debt of £298m

- Operating profit down 21% to £413m, profit before tax down 20% to £419m and basic earnings per share down 21% to 38.1p after exceptional charge for reorganisation of British Sugar of £97m.

George Weston, Chief Executive of Associated British Foods, said:

“This year’s performance demonstrates the resilience of the group in the face of a steep increase in energy costs and the profit impact of EU sugar regime reform. We have taken major steps in the development of our businesses this year. In particular, British Sugar and Primark have emerged stronger and better positioned.”

* before amortisation of intangibles, profits less losses on the sale of PP&E and exceptional items.

** before amortisation of intangibles, profits less losses on sale of PP&E, profits less losses on the sale and closure of businesses and exceptional items.

All figures stated after amortisation of intangibles, profits less losses on the sale of PP&E and losses on the sale and closure of businesses are shown on the face of the consolidated income statement.

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Notes to Editors

1. Associated British Foods is a diversified international food, ingredients and retail group with sales of £6.0 billion and 75,000 employees in 46 countries.

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

2. ABF has strong positions in the markets in which it operates:

| | |
|-----------------------------|--|
| Sugar | <i>ABF is the second largest sugar producer in the world. British Sugar is Europe's most efficient producer and the sole processor of the UK sugar beet crop. It has adapted to the structural changes in world sugar production and has strong positions in Poland and China. Illovo is the largest sugar producer in Africa and one of the world's leading low cost producers.</i> |
| Retail | <i>Primark is a major value clothing retail group employing over 18,000 people. It operates 143 stores in the UK, Ireland and Spain.</i> |
| International hot beverages | <i>Twinings is the world's leader in speciality teas and infusions. It has manufacturing in Europe and China. Ovaltine is the largest producer of malt-based beverages in Europe and Thailand with manufacturing also in Philippines and China.</i> |
| North America Grocery | <i>We have built up a strong portfolio of famous grocery brands in the Americas. Mazola is the leading corn oil in the US and Capullo the leading premium canola oil in Mexico. We have strong positions also in herbs & spices, sauces, corn syrup, starch and yeast.</i> |
| Ingredients | <i>AB Mauri has a global presence in bakers' yeast with, with significant market positions in the Americas, Europe and Asia. It is also a technology leader in bakery ingredients. It operates from 42 plants in 25 countries. . ABF Ingredients comprises businesses operating in speciality proteins, enzymes, lipid technologies and polyols.</i> |

3. We continue to invest strongly in the future growth of the group. The net expenditure in the year of £760m includes an acquisition spend of £496m, which is mainly the 51% share in Illovo Sugar Limited, £221m on the acquisition and fit out of new stores for Primark and £224m spend in the existing businesses. £181m proceeds were received from the sale of properties and fixed assets.

**ASSOCIATED BRITISH FOODS plc
PRELIMINARY ANNOUNCEMENT
FOR THE YEAR ENDED 16 SEPTEMBER 2006**

For release 7 November 2006

CHAIRMAN'S STATEMENT

The past year has seen major long term developments for the group the most important of which have been in our two largest businesses. The sugar operations are being radically reshaped and the extensive programme of new Primark store openings is now approaching completion.

Overall adjusted group operating profits were marginally ahead of last year. There were very satisfactory advances in several businesses which were offset by the £34m impact of sugar regime reform and a £64m increase in energy costs, most of which could not be recovered in pricing.

Developments

British Sugar has responded to the fundamental changes in the EU sugar regime with a number of significant initiatives to reposition the business for growth. Within the EU it has announced a rationalisation of its UK factories and has restructured its operations in Poland. Furthermore, it has confirmed its intention to purchase additional quota with the result that more sugar will be produced by fewer factories in the future. The acquisition of 51% of the southern Africa based company, Illovo Sugar Limited, provides a new platform for growth, based on low cost operations in developing markets. From 2008/9 it will be able to sell into the EU market taking advantage of the Least Developed Countries (LDC) status. Finally, a collaboration with BP and DuPont has been announced to develop biofuels in the UK.

The consequence of this reshaping is that, after the transition to the new EU regime, we will have a sustainable base of production in the EU which, together with LDC sales into the EU, will take our potential scale in Europe to 2 million tonnes. Our total production capacity will be around 4 million tonnes, one third in Europe and two thirds in southern Africa and China.

Over the 18 months from September 2005 to March 2007 Primark will have taken its selling space from 2.5 million sq ft to 4.3 million sq ft, an increase of over 70%. The major part of this increase comes from the conversion of former Littlewoods stores to the Primark format. The rollout of the stores which began in May this year is continuing on schedule. Primark now has a vastly improved coverage in its main markets, although opportunities remain for further profitable development.

Trading

Primark delivered a strong trading performance with a major increase in retail selling space and 3% like-for-like sales growth. This was achieved while coping with the impact of the fire which destroyed the UK warehouse a year ago and managing the significant expansion programme. As expected, results in the yeast and bakery ingredients business, AB Mauri, moved sharply ahead after the initial year of consolidation following its acquisition. There were also good results in many of the grocery businesses in the UK, particularly Twinings Ovaltine, and ACH in North America.

We are now well into the transition from the old sugar regime to the new and there was a big impact on prices as producers positioned themselves for the new structure. The combination of lower prices and higher energy costs resulted in sharply reduced European profits. The income statement includes an exceptional charge of £97m for the cost of restructuring British Sugar's UK production. Trading at Allied Bakeries continued to be unsatisfactory with lower volumes, and profit fell as a result.

Building on the substantial investment of £1.5bn in acquisitions and fixed assets last year, the group has invested a further net £760m this year on capital expenditure in the existing businesses, including the purchase and fit out of new stores for Primark, and on the acquisition of the stake in Illovo as well as other smaller businesses. We financed this investment from our own resources and at the end of the financial year the group had net debt of £298m. The combination of the group's ability to generate cash and the very low level of gearing at the year end provides the group with the ability to back further investment in our businesses as appropriate opportunities occur.

As a result of the heavy investment of the past two years, the group now has a net interest bill and adjusted profits before tax fell by 4%. Adjusted earnings per share fell by 3% from 52.5p to 50.9p. In the circumstances, I believe this was a satisfactory performance.

Board changes

On 1 November 2006, Michael Jay and Javier Ferrán were appointed to the board. Lord Jay's career has been in public service, culminating in his role as Permanent Under Secretary at the Foreign and Commonwealth Office from 2002 to 2006 and British Ambassador to France from 1996 to 2001. Mr Ferrán is a partner in Lion Capital LLP. He was previously with the Bacardi Group for many years, latterly as President and Chief Executive. Among their many other attributes, both Lord Jay and Mr Ferrán have extensive international experience. I am confident that both will make valuable contributions to the board.

Employees

At the end of the year the group employed 75,000 people in 46 countries. They have faced the demanding trading conditions in the group's markets and reacted with resourcefulness and determination. I am grateful to them all for their efforts to maximise the group's results. I would also particularly like to welcome all those in Illovo, who account for 27,000 of the people now working in the ABF group.

Dividends

Although adjusted earnings per share are 3% down this year, the directors have confidence in the future growth of the business and have proposed an increase of 4% in the dividend for the year. A final dividend of 12.5p is proposed to be paid on 12 January 2007 to shareholders on the register on 1 December 2006. Together with the interim dividend of 6.25p already paid, this will make a total of 18.75p for the year.

Outlook

Most of our businesses continue to trade well and expect positive developments in their results. The profitability of the European sugar businesses will be further affected by the consequences of the EU sugar regime reform.

The phase of exceptionally rapid growth in Primark's floor space will be completed early in 2007. The extra space will fuel sales and profit growth. This will occur not just in the current year but as trading develops at the new stores over a period of time.

Looking beyond the current year, the developments referred to earlier in our two major businesses give a strong basis for future progress. We will continue to back our other businesses with appropriate levels of investment. The group is well placed for the longer term.

Martin Adamson
Chairman

OPERATING REVIEW

Group revenue increased by 7% to £6.0bn and adjusted operating profit increased by 1% to £561m.

This has been a year of resilient performance and significant investment for the group. The reform of the EU sugar regime has been anticipated for many years but there has been uncertainty as to the timing and extent of the impact. This year we estimate the profit impact at £34m with a further £21m for energy cost increases within British Sugar which we were unable to recover through pricing because of the trading environment. This substantial impact was more severe and earlier than we had expected.

Many businesses delivered excellent growth in the period. Notably these included Primark, from a combination of like-for-like sales growth and an extensive programme of new store openings and extensions, continued organic growth in Twinings and Ovaltine and strong trading from AB Mauri which is now performing well after its acquisition two years ago.

It has been a very disappointing year for Allied Bakeries with revenue declines in both Kingsmill and own label and profitability has sharply reduced. The new management team has developed detailed plans for the reinvigoration of the brand. With the need for brand investment, no immediate improvements in profitability should be expected next year.

In Australia the problems in commissioning the new Sydney bakery have been largely overcome in the second half of this year. This is a state-of-the-art bakery and we can look forward to having the capacity to supply the New South Wales market with quality products with much improved customer service. It is also encouraging to see the improvement in profitability of the meat & dairy business in Australia after two difficult years that saw the consolidation of production facilities and challenging trading issues. Further improvements in efficiency are planned for the coming year.

The shape of ABF has changed considerably over recent years, and the acquisition of Illovo in September this year will further transform our sugar operations from a very UK centric business only a few years ago to what is now the second largest sugar producer in the world. ABF now operates in 46 countries and has built critical mass in a number of businesses through acquisition and organic growth. We have strengthened our positions in international hot beverages and branded grocery, taken a leading position in global yeast production and firmly established Primark as a major clothing retailer in the UK and Ireland. It is this strength in depth, combined with a wider geographic spread, that provides the group with the ability to absorb economic challenges and still deliver a resilient performance.

That said, the structural reform of the EU sugar regime has such a major impact on the profits of European producers that a fundamental change to British Sugar is required if it is to continue to compete effectively. We have announced the closure of two of our six UK factories at the end of the forthcoming campaign and the intention to purchase additional quota that will become available from the regime reform. This will reinforce British Sugar's position as the lowest cost beet sugar producer in the EU. Illovo will benefit from these regime changes from 2009 when the EU market will be opened to producers in Least Developed Countries.

Primark's expansion programme has progressed well with the opening of 27 stores during the year. This increased our retail selling space by 40% to 3.5 million sq ft and included the opening of our first store in Spain. It would have been very easy for an expansion programme of this scale to have absorbed management to the detriment of the day-to-day business. It is therefore to the credit of the management team that, despite this considerable distraction, good like-for-like sales growth was achieved when many competitors on the high street found trading difficult. This was all the more impressive given the severe disruption caused by the fire that completely destroyed the main UK warehouse and is testament to the dedication of the Primark workforce.

The Chairman has mentioned the contribution our people have made during the year and I endorse his comments. Our expansion into southern Africa through Illovo has added 27,000 people to the group. In recognition of its interdependence with the communities in which it operates, Illovo provides and co-ordinates a wide range of social programmes focusing on basic needs such as the provision of water and sanitation, healthcare, education delivery and involvement in community outreach programmes. Illovo also provides considerable training and support to farmers in order to promote sustainable agriculture and economic development activities.

PRIMARY FOOD & AGRICULTURE

| Primary Food | 2006 | 2005 |
|-------------------------------------|-------------|-------------|
| Revenue £m | 671 | 700 |
| Adjusted operating profit £m | 115 | 166 |

| Agriculture | 2006 | 2005 |
|-------------------------------------|-------------|-------------|
| Revenue £m | 631 | 735 |
| Adjusted operating profit £m | 16 | 20 |

In Primary Food, the sharp decline in profit from £166m to £115m is attributable to the EU operations of British Sugar. The 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 in the first half of the year. The impact in the second half was in line with our expectations. In addition, profit was reduced by a weaker euro and significantly higher energy costs, particularly gas prices in the UK. The impact on the business of the changes to the EU sugar regime is estimated at £26m, excluding Silver Spoon, with a further impact of £21m for unrecovered energy cost increases.

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. Our Chinese cane sugar operations performed well in their first campaign following the expansion of the Shiebie and WuXuan factories. Capacity is now more than half a million tonnes although the factories have produced substantially below this level this year because of the much reduced cane crop following severe drought earlier in the year. The profit impact of this was, however, largely mitigated by higher sugar prices.

In July the European sugar industry commenced the implementation of the EU Commission's reform of the EU sugar regime. These changes will result in the progressive withdrawal of institutional price support and marginal producers will be encouraged to exit the sector, not only to reduce surplus production, but to create a deficit in local production. This deficit is aimed at providing import opportunities by 2009 for Least Developed Countries (LDCs). During the transition period, the impact of these changes and continued imbalances in supply and demand can be expected to continue to affect the profit at British Sugar. In anticipation of a difficult transition, the Commission has imposed a 2.5 million tonne transitional quota cut for 2006/7 which equates to 133,000 tonnes for British Sugar in the UK and 20,000 tonnes for Poland. This is higher than the temporary quota cut imposed in 2005/6. The Commission also confirmed that the restructuring levy, the means by which a fund is established to compensate processors who exit, of €126 per tonne will be based on the full permanent quota. A number of European processors have already taken the option to withdraw, reducing quota production for sugar and inulin by 1.5 million tonnes for the 2006/7 campaign. Decisions on renunciation for the 2007/8 campaign are expected to be made by other EU processors by Spring 2007. There is a possibility that the Commission's target of a further 3 million tonnes reduction will not be met. In these circumstances, the Commission has reserved the right, in the new regulations, to impose permanent pro rata quota cuts.

Next year, sugar supply in the EU will be substantially lower as a consequence of a likely smaller crop and the temporary quota cut already announced by the EU commission. The smaller crop in the UK is, however, still expected to meet quota, including additional quota to be purchased.

British Sugar has announced a number of developments which reposition the group's sugar businesses for the future.

The York and Allscott beet sugar factories will close after the end of the 2006/7 campaign and processing will be consolidated at the four remaining factories in the UK. British Sugar has confirmed its intention to purchase the 83,000 tonnes of additional sugar quota available in the UK as a result of regime reform. As a result, we will produce more sugar from four factories than we currently produce from six. These developments follow the consolidation of British Sugar's Polish operations into two factories last year and the application to acquire 11,000 tonnes of additional sugar quota available in Poland. Together these will reinforce British Sugar's position as the lowest cost processor in the EU beet sugar industry.

An exceptional charge of £97m has been included in the consolidated income statement comprising £64m of asset write-down and £33m of estimated cash costs associated with the reorganisation. This charge has been excluded from the calculation of adjusted earnings. The investment in additional quota in the UK and Poland is expected to cost £47m dependent on the success in securing the targeted volumes. This cost will be capitalised and amortised over nine years.

On 4 September 2006 we completed the acquisition of a 51% interest in Illovo Sugar Limited, the largest sugar producer in Africa and one of the world's leading low-cost producers, for a cash consideration of £288m. It is the leading producer in South Africa, Malawi, Zambia, Swaziland and Tanzania and has a strong and growing presence in Mozambique. It produced 1.9 million tonnes of sugar in 2005/6 and has identified development programmes to expand this capacity substantially.

ABF will support Illovo's stated plans for capacity expansion and development in its African markets. It is expected that Illovo will benefit from the application of British Sugar's proven expertise in improvement in operational efficiency, co-product development, marketing and product innovation. In turn, British Sugar's Chinese cane sugar operations will benefit from Illovo's agricultural expertise.

The changes to the EU sugar regime will provide free access for exports to the EU from LDCs from 2009. The LDC classification includes Malawi, Zambia, Tanzania and Mozambique. British Sugar will provide an efficient route to market for these exports from Illovo.

In the first full year after acquisition the operating profit return is expected to meet ABF's cost of capital, and will be earnings enhancing. As a result of this acquisition, two-thirds of the group's sugar production next year is expected to be outside the EU. The combination of British Sugar and Illovo will create a powerful partnership in Africa and Europe.

In June, we announced a collaboration with BP and DuPont to produce biofuels in the UK. Construction has already started on a production facility at Wissington, and the 55,000 tonne, 70 million litre, unit is expected to commence operations in 2007. Discussions are continuing to develop detailed plans for further production facilities.

This has been another challenging year for Agriculture. Revenue fell by £104m to £631m reflecting the sale, in April last year, of the grain trading business, Allied Grain, into Frontier, a joint venture with Cargill. Profit at £16m was below last year reflecting the impact of avian influenza and higher energy costs. Good progress was made in the targeted growth sectors of feed micro-ingredients, speciality feeds and the animal feed business in China.

The UK feeds business benefited from a restructuring to provide a better alignment with customer needs. Frontier traded very well in its first full year of operation and cost savings have been achieved ahead of the original business plan for the joint venture.

In China, the opening of the new feed mill in South Henan in April brought the number of mills to six. China is the world's biggest pig producer and Henan is the country's second largest pig producing province. We have had a strong presence in North Henan since 2002 and the new mill will enable further expansion. A new mill is being constructed in the North East of China and should begin production by the New Year. Avian influenza had a major, direct impact on our China business, where delayed restocking on poultry farms reduced the demand for animal feeds.

RETAIL

| | 2006 | 2005 |
|------------------------------|--------------|------|
| Primark | | |
| Revenue £m | 1,168 | 989 |
| Adjusted operating profit £m | 166 | 141 |
| Littlewoods | | |
| Revenue £m | 141 | 17 |
| Adjusted operating profit £m | 19 | (1) |

Primark again delivered very strong revenue and profit growth, both increasing by 18% to £1,168m and £166m respectively.

The revenue increase resulted from 3% growth in like-for-like sales and a substantial increase in retail selling space. Like-for-like growth was 6% in the first half of the year. However, it was flat in the second half after the exceptionally strong 12% increase in the same period last year.

Retail selling space increased by 40% over the year from 2.5 million sq ft to 3.5 million sq ft. Much of this space was added towards the end of the financial year and the increase in the weighted average floor space for this year over last was 17%. In total 27 stores were opened during the year and, following the closure of six smaller stores, Primark was trading from 143 stores at the year end.

The first store in Spain, at Plenilunio outside Madrid, was opened in May and this has been followed by a store in Murcia after the year end. Both stores are trading satisfactorily.

| | | | | | |
|----------------------------|-----------------------|-------------------------|----------|---------------------|----------|
| New store openings: | | | | | |
| Ayr | | Glasgow (Argyle Street) | | Nottingham | |
| Bradford | | Harlow | | Oxford | |
| Bromley | | Hull | | Portsmouth | |
| Cardiff | | Lakeside Thurrock | | Preston | |
| Croydon | | Leeds | | Southend | |
| Darlington | | Leicester | | Southport | |
| Dundalk | | Luton | | Sutton | |
| Exeter | | Maidstone | | Swansea | |
| Gateshead (Metro) | | Mansfield | | Plenilunio (Madrid) | |
| Stores closed: | | | | | |
| Bristol | (compulsory purchase) | Cardiff | (resite) | Southend | (resite) |
| Bromley | (resite) | Darlington | (resite) | Swansea | (resite) |

The major programme for the refit and opening of the former Littlewoods stores is on schedule and 18 of the 41 stores were open at the financial year end. Of the 79 stores not required, 69 have either been sold or are under offer and proceeds of £144m have been received. Negotiations for the sale of the remainder are continuing.

The Primark trading performance is remarkable given the disruption caused by the fire which destroyed the main UK warehouse last November. Swift action by the management team mitigated the potentially disastrous effect on the supply of stock to the stores. Deliveries to stores were restocked after 48 hours and a temporary warehouse was quickly replenished with specially arranged deliveries from suppliers. The stock loss, additional costs of working and business interruption were insured and most of the cash for the stock loss and additional costs of working has been received. However, an element of the claim was self-insured and the profit for the year includes a charge for this. The warehouse operation is being transferred to the rebuilt warehouse.

Primark was accepted as a member of the Ethical Trading Initiative (ETI) in May. The ETI is an alliance of companies, trade unions and non-profit organisations that aims to promote respect for the rights of people in factories and farms worldwide. As a member of the ETI, Primark has committed to monitoring and progressively improving working conditions in the factories that supply Primark's products.

The Littlewoods retail business, acquired in July 2005, was very successfully traded out and finally closed in January. The profit from this trade out was £19m and was well ahead of our expectation at the time of the acquisition.

The principal driver of sales and profit growth in 2007 will be the additional floor space although the higher depreciation charge associated with the investment in the new stores will have a detrimental effect on operating profit margins. The like-for-like sales growth measure will become of limited use as a guide to the performance of Primark over the next year or so as this rapid expansion of selling space takes place. This measure excludes new and extended stores for their first year of trading and will only therefore cover trading in less than half of the selling space at the next half year.

Furthermore, we would expect that the opening of so much space will inevitably affect sales in some of our existing stores. Many of these existing stores currently have very high sales densities and this development is seen as positive. At the half year we will show the existing like-for-like measure and one adjusted to exclude stores affected by new openings.

For the coming year, it is expected that all the remaining former Littlewoods stores will be opened with a further 18 trading by Christmas and the remaining five in 2007. A 70,000 sq ft store is planned to open in Oxford Street, London in Spring 2007. We anticipate a year-on-year increase in the weighted average floor space of some 45% and, with a year end total of 4.5 million sq ft of selling space, Primark's position as a major fashion retailer in the high streets of the UK and Ireland will be firmly established.

GROCERY

| | 2006 | 2005 |
|-------------------------------------|--------------|-------|
| Revenue £m | 2,656 | 2,590 |
| Adjusted operating profit £m | 185 | 185 |

Revenue increased by 3% to £2,656m and profit was level at £185m. Strong progress was made by Ryvita, International Hot Beverages, ACH and our ethnic foods business, Westmill. However, profitability was held back by particularly difficult trading at Allied Bakeries, with lower volumes, and lower sugar pricing in Silver Spoon.

At ACH, the Mexican sales, marketing and distribution infrastructure is now well established. Capullo, the premium canola oil brand, has grown strongly and, supported by a new advertising campaign, increased its market share. The business has successfully integrated the Karo syrup brand in Mexico and, building on our expertise in the US, the brand is performing well. In the US the consumer brands in spices and yeast traded in line with expectation. Good progress was made with the

development of the premium spice brand, Spice Islands. The consumer oil category suffered a decline during the year following publicity around health concerns over the use of trans fatty acids. Although not containing trans fatty acids, Mazola volumes suffered as a consequence of the general category decline. Despite lower oil volumes and the impact of higher energy costs and increased vegetable oil costs, profitability was improved over last year through efficiencies.

The UK core crispbread market demonstrated value growth during the year and Ryvita outperformed the market, strengthening its position as the leading brand. The premium range of wholeseed crispbreads had a particularly successful year. Ryvita Minis, launched last year in the growing healthy bagged-snack market, continued to perform well supported by launches of sweet flavours and a further savoury variety. Ryvita further enhanced its position as a healthy eating snack brand with the launch of better-for-you cereal bars branded 'Ryvita Goodness'. For some years now Ryvita has delivered consistent sales and profit growth driven by increased marketing support and new product introductions.

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 where premium Everyday tea is now well established and Green Tea sales were well ahead of last year. The television advertising, featuring Stephen Fry, was extended both to Green Teas and infusions promoting their health benefits. In the US, the Twinings range has been relaunched with an updated packaging design and market share has increased. Good progress has also been made in a number of overseas markets. The tea packing supply chain rationalisation was completed successfully with the closure of plants in France and the US and the new facility in Shanghai is operating well. Ovaltine continued to show good growth particularly in Thailand and China with the successful launch of new products.

In Australia, the commissioning of the new bakery in Sydney has been difficult. This facility replaces the Fairfield bakery destroyed by fire in 2002, the Chatswood bakery and the Chipping Norton distribution centre. Severe operational difficulties were experienced in the first half of the year which led to significantly increased costs and unacceptable levels of customer service. Good progress has been made in the second half bringing with it major improvements in production efficiency, logistics and customer service. Outside New South Wales the baking business achieved good sales growth. The launch of Australia's first low GI (Glycaemic Index) white bread in January 2006 is proving to be very successful. The results of the meat & dairy business improved following a sharper commercial drive and a reduction in factory costs.

Performance at Allied Bakeries has been unsatisfactory during the year with volume declines in both Kingsmill and own label. A new management team is now in place and is taking steps to stabilise the business. Two new Kingsmill products have been launched, the promotional strategy has been revised and full recovery plans have been developed. The combination of reduced volumes, increased promotional spend and higher energy costs resulted in a much reduced level of profitability. The recent substantial increase in wheat costs will not be recovered immediately by bread price increases and, with the investment necessary to support the recovery plans, we do not anticipate a major improvement in profitability next year.

In Silver Spoon, as a further consequence of EU sugar regime change, granulated sugar came under retail pricing pressure and sustained some volume reduction impacting profit by £8m. However, Billington's unrefined cane sugars and our lower calorie 'Light' sugar both grew strongly.

Westmill again delivered good profit growth. Its established position as a leading supplier to the UK ethnic food sector was strengthened with the acquisition, in March, of the Rajah, Green Dragon and Lotus brands from Heinz together with distribution rights to the Amoy brand into the ethnic food channel. These additions enable Westmill to sell a complete range of ethnic foodstuffs into the wholesale and food service sectors including spices, sauces, rice, edible oils, flour and noodles. Its

brands inspire strong consumer loyalty among the 5 million people in Britain who make up its target ethnic communities.

INGREDIENTS

| | 2006 | 2005 |
|-------------------------------------|------------|------------|
| Revenue £m | 729 | 583 |
| Adjusted operating profit £m | 82 | 65 |

AB Mauri, our international yeast and bakery ingredients business, contributed strongly to the 25% increase in revenue to £729m and 26% increase in profit to £82m. This reflected a full year's contribution following its acquisition in November 2004, the benefits of price and volume increases in yeast, and growth in bakery ingredients.

Good progress was made in recovering higher raw material costs, particularly molasses and energy, through price increases and cost savings in a number of key markets including North America, China, India, Turkey, Australia and Western Europe.

Strong demand in Asia has resulted in substantial further investment in production capacity in the region. The factory in Xinjiang, Western China, which opened last year is operating well and is already running close to capacity. The existing Harbin and Hebei plants in China were expanded as were plants in Vietnam and at Chiplun in India. The Chiplun investment enabled the closure of a smaller plant in Kolkata. A new plant was commissioned in New Zealand and construction has commenced on further expansion of capacity at Harbin and Xinjiang.

In bakery ingredients, much effort has gone into transferring our technology across the group. Sales and technical support teams are now working with customers in most markets with further opportunities to be developed particularly in China and South America. Since this business was created in 2005 it has grown strongly, especially in its key emerging markets of China, South America and South & West Asia. Agreement has been reached to sell a small bakery mix and icings business based in Denver, Colorado. The operation was not well located and was loss-making. A loss of £4m arising on the sale of this business has been included in the income statement.

ABF Ingredients comprises businesses operating in speciality proteins, enzymes, lipid technologies and polyols. In speciality proteins, the yeast extracts businesses have seen strong growth and have benefited from improvement in manufacturing efficiency and yield. Plans are proceeding to expand production capacity, increase the product range and broaden our customer base. Protient, a producer of dairy protein concentrates and isolates, was acquired during the year and complements our yeast based proteins business.

The enzymes business continued 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 manufacturing performance seen last year. In speciality lipids, the sterols business has had some success in developing new technology in the manufacture of sterols from wood-based raw materials as well as our traditional soy-based products.

George Weston
Chief Executive

FINANCIAL REVIEW

GROUP PERFORMANCE

Group sales increased by 7% to £5,996m and operating profit, adjusted to exclude exceptional items, the amortisation of intangibles and profits on the sale of property, plant & equipment, increased by 1% to £561m.

The small improvement in adjusted operating profit before exceptional items was delivered despite much higher energy costs and the significant reduction from British Sugar arising from sugar regime reform. This was offset by another strong performance from Primark and good progress in many of our food and ingredients businesses.

The disposal of properties, plant and equipment resulted in a profit of £10m compared with £20m last year. Additional costs of £8m have been charged in respect of the closure of the former Littlewoods business following the decision to cease trading earlier than previously envisaged, resulting in higher void costs prior to disposal of the stores not required by Primark. These additional costs were more than compensated by the higher than anticipated trading profit generated through the closure process which are reflected in operating profit. A loss of £4m was incurred on the disposal during the year of three small businesses in the US and China.

Financial income and financial expenses in the income statement include the gross amounts in respect of the group's defined benefit pension schemes. The net charge of £2m compares with net income last year of £25m. This year on year change of £27m results primarily from the heavy investment, through acquisition and refurbishment, in new stores for Primark.

Profit before tax fell from £527m to £419m reflecting an exceptional charge of £97m for the costs of closing two British Sugar factories and a £16m increase in the intangible amortisation charge arising on recent acquisitions together with the small net loss on the sale of fixed assets and businesses. Adjusted to exclude these items, profit before tax fell 4% from £580m to £559m.

TAXATION

The tax charge of £111m included an underlying charge of £150m, at an effective tax rate of 26.8% on the adjusted profit before tax described above. The effective tax rate has reduced from 27.4% as a result of an increase in the profits subject to lower tax rates. The overall tax charge for the year benefited from a £13m (2005 - £7m) credit for tax relief on the amortisation of intangible assets and goodwill arising from recent asset acquisitions. This credit, together with the tax effect of the other exceptional items, has been excluded from the calculation of adjusted earnings per share.

EARNINGS AND DIVIDENDS

Earnings attributable to equity shareholders reduced by £78m to £301m and the weighted average number of shares in issue was 790 million. Earnings per ordinary share therefore fell by 21% from 48.0p to 38.1p. A more consistent measure of performance is provided by the adjusted earnings per share which excludes the provision for the British Sugar factory closures, profits on the sale and closure of businesses and fixed assets and the amortisation of intangibles net of any tax benefit. Adjusted earnings per share fell by 3% from 52.5p to 50.9p.

The interim dividend was increased by 4% to 6.25p and a final dividend has been proposed at 12.5p which represents an overall increase of 4% for the year. In accordance with IFRS, no accrual has been made in these accounts for the proposed dividend which is expected to cost £99m and will be charged next year. The dividend is covered, on an adjusted basis, 2.7 times.

BALANCE SHEET

Non-current assets increased by £761m to £4,392m due to the acquisitions in the year, principally Illovo, and a level of capital expenditure significantly higher than depreciation with continued investment in Primark.

The use of current asset investments to finance the acquisition of Illovo has resulted in net borrowings of £298m at the year end compared with net cash funds of £212m last year. Working capital, including tax accruals and provisions increased by £204m of which £131m is accounted for by the inclusion of Illovo.

The net surplus in the group's defined benefit pension schemes, employee benefit assets less liabilities, increased from £76m last year to £127m this year.

The group's net assets increased by £305m to £4,182m.

A currency loss of £74m arose on the translation into sterling of the group's non-sterling net assets. This resulted from a strengthening of sterling against most overseas currencies year on year.

The high level of investment made this year in acquisitions and capital expenditure has resulted in a decline in return on capital employed for the group from 23.6% to 18.9%. Return on capital employed is defined as operating profit before exceptional items and the amortisation of intangibles expressed as a percentage of average capital employed for the year.

CASH FLOW

Net cash flow from operating activities was £419m compared to £515m last year. This reduction is primarily the result of an adverse working capital movement year on year of £75m and the use of the provision established last year for the closure of the former Littlewoods stores.

The group invested a net £760m in capital expenditure and acquisitions during the year. Capital expenditure amounted to £432m of which £221m was spent on the acquisition of new stores and the refitting of existing Primark stores. The balance was used principally to upgrade, modernise and expand existing manufacturing facilities. £382m was spent on the Illovo acquisition, including debt assumed, and a further £114m was spent on the acquisitions of smaller businesses to complement our grocery, animal feed and ingredients operations. £181m was realised from the disposal of property, plant & equipment, principally the surplus former Littlewoods stores.

TREASURY POLICY AND CONTROLS

The group's cash and current asset investments totalled £402m at the year end including £75m placed with professional investment managers who have full discretion to act within closely monitored and agreed guidelines.

The investment objective is to preserve the underlying assets, whilst achieving a satisfactory return. The investment guidelines are kept under constant review with the objective of monitoring and controlling risk levels. The guidelines require that investments must carry a minimum credit rating of AA-/A1 for long and short-term paper respectively, and also set down conditions relating to sovereign risk, length of maturity, exchange rate exposure and type of investment instrument. Aggregate limits for each category of investment and risk exposure are set for each manager.

The group's UK cash balances are managed by a central treasury department operating under strictly controlled guidelines, which also arranges term bank finance for acquisitions and to meet short-term working capital requirements particularly for the sugar beet harvest. Since the year end the company

has refinanced its external borrowings and has negotiated a multicurrency \$1.2bn syndicated loan facility with a term of five years with two one-year extension options. It will be used for general corporate purposes. The new facility has been provided by our existing bank group.

A number of the group's businesses are exposed to changes in exchange rates on sales and purchases made in foreign currencies and to changes in commodity prices. British Sugar is exposed to movements in the euro exchange rate on the price of sugar in the UK and Poland, Primark sources garments from overseas primarily in US dollars and many businesses purchase raw materials in foreign currencies largely US dollar denominated.

Significant cross-border transactions are covered by forward purchases and sales of foreign currency, or foreign currency options as appropriate. The majority of the group's commodity exposures are managed through forward purchase or futures contracts with only very limited use being made of options. All derivative transactions are tightly controlled within set limits and speculative trading is not undertaken.

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

FINANCIAL REPORTING STANDARDS AND ACCOUNTING POLICIES

The financial statements for the year ended 16 September 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use in the EU. The results for the comparative year ended 17 September 2005 are also presented in accordance with IFRS. Accounting policies applicable under IFRS are set out on pages 27 to 34. The provisions of IAS 32 and IAS 39 have been adopted with effect from 18 September 2005.

John Bason

Finance Director

The annual report and accounts will be available on 9 November 2006 and the annual general meeting will be held at Congress Centre, 28 Great Russell Street, London WC1B 3LS at 11am on Friday, 8 December 2006.

CONSOLIDATED INCOME STATEMENT
for the year ended 16 September 2006

| | | Before Exceptional Items 2006 £m | Exceptional Items¹ 2006 £m | Total 2006 £m | 2005 £m |
|--|------|---|--|------------------------------|--------------------|
| Continuing operations | Note | | | | |
| Revenue | 1 | 5,996 | - | 5,996 | 5,622 |
| Operating costs before exceptional items | | (5,486) | | (5,486) | (5,099) |
| Impairment of property, plant & equipment | | - | (64) | (64) | - |
| Restructuring costs | | - | (33) | (33) | - |
| | | <u>510</u> | <u>(97)</u> | <u>413</u> | <u>523</u> |
| Share of profit after tax from joint ventures and associates | | 10 | - | 10 | 7 |
| Profits less losses on sale of property, plant & equipment | | 10 | - | 10 | 20 |
| Operating profit | | <u>530</u> | <u>(97)</u> | <u>433</u> | <u>550</u> |
| Adjusted operating profit | 1 | 561 | - | 561 | 555 |
| Profits less losses on sale of property, plant & equipment | | 10 | - | 10 | 20 |
| Amortisation of intangibles | | (41) | - | (41) | (25) |
| Exceptional items | | - | (97) | (97) | - |
| Profits less losses on sale of businesses | | (4) | - | (4) | (1) |
| Provision for loss on termination of an operation | | (8) | - | (8) | (47) |
| Profit before interest | | <u>518</u> | <u>(97)</u> | <u>421</u> | <u>502</u> |
| Financial income | | 149 | - | 149 | 162 |
| Financial expenses | | (151) | - | (151) | (137) |
| Profit before taxation | | <u>516</u> | <u>(97)</u> | <u>419</u> | <u>527</u> |
| Adjusted profit before taxation | | 559 | - | 559 | 580 |
| Profits less losses on sale of property, plant & equipment | | 10 | - | 10 | 20 |
| Amortisation of intangibles | | (41) | - | (41) | (25) |
| Exceptional items | | - | (97) | (97) | - |
| Profits less losses on sale of businesses | | (4) | - | (4) | (1) |
| Provision for loss on termination of an operation | | (8) | - | (8) | (47) |
| Taxation - UK | | (89) | 29 | (60) | (82) |
| - Overseas | | (51) | - | (51) | (59) |
| | 2 | <u>(140)</u> | <u>29</u> | <u>(111)</u> | <u>(141)</u> |
| Profit for the period | | <u>376</u> | <u>(68)</u> | <u>308</u> | <u>386</u> |
| Attributable to: | | | | | |
| Equity shareholders | | 369 | (68) | 301 | 379 |
| Minority interests | | 7 | - | 7 | 7 |
| Profit for the period | | <u>376</u> | <u>(68)</u> | <u>308</u> | <u>386</u> |
| Basic and diluted earnings per ordinary share | 4 | | | 38.1p | 48.0p |

¹ Refer to accounting policy on page 28

**CONSOLIDATED BALANCE SHEET
at 16 September 2006**

| | 2006 | 2005 |
|---|----------------|----------------|
| | £m | £m |
| Non-current assets | | |
| Intangible assets | 1,542 | 1,152 |
| Property, plant & equipment | 2,479 | 2,255 |
| Biological assets | 46 | - |
| Investments in joint ventures | 54 | 36 |
| Investments in associates | 15 | 15 |
| Employee benefits assets | 169 | 95 |
| Deferred tax assets | 82 | 78 |
| Other receivables | <u>5</u> | <u>-</u> |
| Total non-current assets | <u>4,392</u> | <u>3,631</u> |
| Current assets | | |
| Assets classified as held for sale | 53 | 9 |
| Inventories | 681 | 556 |
| Biological assets | 51 | - |
| Trade and other receivables | 913 | 678 |
| Other investments | 53 | 269 |
| Cash and cash equivalents | <u>349</u> | <u>929</u> |
| Total current assets | <u>2,100</u> | <u>2,441</u> |
| TOTAL ASSETS | <u>6,492</u> | <u>6,072</u> |
| Current liabilities | | |
| Liabilities classified as held for sale | (11) | - |
| Interest bearing loans and overdrafts | (531) | (447) |
| Trade and other payables | (997) | (750) |
| Income tax | (85) | (113) |
| Provisions | <u>(49)</u> | <u>(61)</u> |
| Total current liabilities | <u>(1,673)</u> | <u>(1,371)</u> |
| Non-current liabilities | | |
| Interest bearing loans | (176) | (539) |
| Income tax | - | (4) |
| Provisions | (21) | (29) |
| Deferred tax liabilities | (398) | (233) |
| Employee benefits liabilities | <u>(42)</u> | <u>(19)</u> |
| Total non-current liabilities | <u>(637)</u> | <u>(824)</u> |
| TOTAL LIABILITIES | <u>(2,310)</u> | <u>(2,195)</u> |
| NET ASSETS | <u>4,182</u> | <u>3,877</u> |
| Equity | | |
| Issued capital | 47 | 47 |
| Other reserves | 173 | 173 |
| Translation reserve | (29) | 44 |
| Hedging reserve | (6) | - |
| Retained earnings | <u>3,773</u> | <u>3,584</u> |
| | 3,958 | 3,848 |
| Minority interests | <u>224</u> | <u>29</u> |
| TOTAL EQUITY | <u>4,182</u> | <u>3,877</u> |

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 16 September 2006

| | 2006 | 2005 |
|--|-------------------|-------------------|
| | £m | £m |
| Cash flow from operating activities | | |
| Profit before taxation | 419 | 527 |
| Add back non-operating items | | |
| Profits less losses on sale of property, plant & equipment | (10) | (20) |
| Profits less losses on sale of businesses | 4 | 1 |
| Provision for loss on termination of an operation | 8 | 47 |
| Exceptional items | 97 | - |
| Financial income | (149) | (162) |
| Financial expenses | 151 | 137 |
| Adjustments for | | |
| Share of profit from joint ventures and associates | (10) | (7) |
| Amortisation | 41 | 25 |
| Depreciation | 177 | 161 |
| Pension costs less contributions | (1) | (8) |
| Increase in inventories | (29) | (25) |
| Increase in receivables | (178) | (20) |
| Increase/(decrease) in payables | 78 | (9) |
| (Decrease)/increase in provisions | (62) | - |
| Cash generated from operations | <u>536</u> | <u>647</u> |
| Income taxes paid | (117) | (132) |
| Net cash from operating activities | <u>419</u> | <u>515</u> |
| Cash flows from investing activities | | |
| Dividends received from joint ventures | 1 | 2 |
| Dividends received from associates | 3 | 2 |
| Purchase of property, plant & equipment | (432) | (403) |
| Purchase of intangibles | (13) | - |
| Sale of property, plant & equipment | 181 | 39 |
| Purchase of subsidiary undertakings | (496) | (1,130) |
| Sale of subsidiary undertakings | - | 8 |
| Purchase of joint ventures and associates | - | (18) |
| Interest received | 36 | 54 |
| Loan repayment from joint venture | - | 51 |
| Net cash from investing activities | <u>(720)</u> | <u>(1,395)</u> |
| Cash flows from financing activities | | |
| Dividends paid to minorities | (6) | (4) |
| Dividends paid to shareholders | (144) | (135) |
| Interest paid | (47) | (29) |
| Decrease in other current asset investments | 216 | 273 |
| Financing: | | |
| (Decrease)/increase in short term loans | (46) | 364 |
| (Decrease)/increase in long term loans | (365) | 170 |
| Inflow from reductions in own shares held | 1 | 7 |
| Net cash from financing activities | <u>(391)</u> | <u>646</u> |
| Net decrease in cash and cash equivalents | (692) | (234) |
| Cash and cash equivalents at the beginning of the period | 894 | 1,120 |
| Effect of movements in foreign exchange | (4) | 8 |
| Cash and cash equivalents at the end of the period | <u><u>198</u></u> | <u><u>894</u></u> |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 16 September 2006

| | 2006 | 2005 |
|--|-------------------|-------------------|
| | £m | £m |
| Actuarial gains/(losses) on defined benefit schemes | 43 | (7) |
| Deferred tax associated with defined benefit schemes | (12) | - |
| Effects of movements in foreign exchange | (88) | 44 |
| Tax on effects of movements in foreign exchange | - | (1) |
| Net gain on hedge of net investment in foreign subsidiaries | 14 | 2 |
| Movement of cash flow hedging position | <u>(13)</u> | <u>-</u> |
| Net (loss)/gain recognised directly in equity | (56) | 38 |
| Profit for the period | <u>308</u> | <u>386</u> |
| Total recognised income and expense for the period | 252 | 424 |
| Adjustments relating to adoption of IAS 32 and IAS 39 on 18 September 2005 (Equity shareholders) | <u>7</u> | <u>-</u> |
| | <u>259</u> | <u>424</u> |
| Attributable to: | | |
| Equity shareholders | 246 | 416 |
| Minority interests | <u>6</u> | <u>8</u> |
| | <u>252</u> | <u>424</u> |

**NOTES TO THE PRELIMINARY ANNOUNCEMENT
for the year ended 16 September 2006**

1. Segmental analysis

Segment reporting is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure and combines businesses with common characteristics. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefit 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.

Business segments

The group is comprised of the following business segments:

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

Geographical segments

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

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

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

| | Revenue | | Adjusted operating profit | |
|----------------------|--------------|------------|---------------------------|------------|
| | 2006 £m | 2005 £m | 2006 £m | 2005 £m |
| Grocery | 2,656 | 2,590 | 185 | 185 |
| Primary Food | 671 | 700 | 115 | 166 |
| Agriculture | 631 | 735 | 16 | 20 |
| Ingredients | 729 | 583 | 82 | 65 |
| Retail | 1,309 | 1,006 | 185 | 140 |
| Central | - | - | (22) | (21) |
| | 5,996 | 5,614 | 561 | 555 |
| Businesses disposed: | | | | |
| Agriculture | - | 8 | - | - |
| | 5,996 | 5,622 | 561 | 555 |

Geographical segments

| | | | | |
|------------------------------|--------------|-------|------------|-----|
| United Kingdom | 3,003 | 2,816 | 281 | 314 |
| Europe, Middle East & Africa | 746 | 720 | 73 | 72 |
| The Americas | 1,210 | 1,102 | 124 | 102 |
| Asia Pacific | 1,037 | 976 | 83 | 67 |
| | 5,996 | 5,614 | 561 | 555 |
| Businesses disposed: | | | | |
| United Kingdom | - | 8 | - | - |
| | 5,996 | 5,622 | 561 | 555 |

**NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006**

1. Segmental analysis – for the year ended 16 September 2006

Business segments

| | Grocery £m | Primary Food £m | Agriculture £m | Ingredients £m | Retail £m | Central £m | Eliminations £m | Total £m |
|---|---------------|-----------------------|-------------------|-------------------|--------------|---------------|--------------------|----------------|
| Revenue from continuing operations | 2,675 | 766 | 631 | 775 | 1,309 | - | (160) | 5,996 |
| Internal revenue | (19) | (95) | - | (46) | - | - | 160 | - |
| Revenue from external customers | 2,656 | 671 | 631 | 729 | 1,309 | - | - | 5,996 |
| Adjusted operating profit | 185 | 115 | 16 | 82 | 185 | (22) | - | 561 |
| Exceptional items | - | (97) | - | - | - | - | - | (97) |
| Amortisation of intangibles | (12) | - | - | (29) | - | - | - | (41) |
| Profits less losses on sale of property, plant & equipment | 4 | 4 | (1) | - | 2 | 1 | - | 10 |
| Profits less losses on sale of businesses | 3 | (2) | - | (6) | - | 1 | - | (4) |
| Provision for loss on termination of an operation | - | - | - | - | (8) | - | - | (8) |
| Profit before financial income, financial expenses and taxation | 180 | 20 | 15 | 47 | 179 | (20) | - | 421 |
| Financial income | - | - | - | - | - | 149 | - | 149 |
| Financial expenses | - | - | - | - | - | (151) | - | (151) |
| Taxation | - | - | - | - | - | (111) | - | (111) |
| Profit for the period | 180 | 20 | 15 | 47 | 179 | (133) | - | 308 |
| Segment assets (excluding investments in associates and joint ventures) | 1,782 | 1,497 | 158 | 1,010 | 1,302 | 14 | - | 5,763 |
| Investment in associates & joint ventures | 7 | 6 | 27 | 29 | - | - | - | 69 |
| Segment assets | 1,789 | 1,503 | 185 | 1,039 | 1,302 | 14 | - | 5,832 |
| Cash and cash equivalents | - | - | - | - | - | 356 | - | 356 |
| Employee benefits assets | - | - | - | - | - | 169 | - | 169 |
| Deferred tax assets | - | - | - | - | - | 82 | - | 82 |
| Other investments | - | - | - | - | - | 53 | - | 53 |
| Segment liabilities | (303) | (338) | (48) | (113) | (214) | (60) | - | (1,076) |
| Interest-bearing loans and overdrafts | - | - | - | - | - | (707) | - | (707) |
| Income tax | - | - | - | - | - | (86) | - | (86) |
| Deferred tax liabilities | - | - | - | - | - | (398) | - | (398) |
| Employee benefits liabilities | - | - | - | - | - | (43) | - | (43) |
| Net assets | 1,486 | 1,165 | 137 | 926 | 1,088 | (620) | - | 4,182 |
| Capital expenditure | 84 | 55 | 6 | 48 | 303 | - | - | 496 |
| Depreciation | 71 | 36 | 7 | 30 | 33 | - | - | 177 |
| Amortisation | 12 | - | - | 29 | - | - | - | 41 |
| Impairment | - | 64 | - | - | - | - | - | 64 |
| Other significant non-cash expenses | - | 30 | - | - | 10 | - | - | 40 |

Geographical segments

| | United Kingdom £m | Europe Middle East & Africa £m | The Americas £m | Asia Pacific £m | Eliminations £m | Total £m |
|-------------------------------------|-------------------------|---|-----------------------|-----------------------|--------------------|-------------|
| Revenue from external customers | 3,003 | 746 | 1,210 | 1,037 | - | 5,996 |
| Segment assets | 2,519 | 1,533 | 1,023 | 757 | - | 5,832 |
| Capital expenditure | 357 | 52 | 30 | 57 | - | 496 |
| Depreciation | 101 | 18 | 26 | 32 | - | 177 |
| Amortisation | 4 | 7 | 18 | 12 | - | 41 |
| Impairment | 64 | - | - | - | - | 64 |
| Other significant non-cash expenses | 40 | - | - | - | - | 40 |

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

**NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006**

1. Segmental analysis – for the year ended 17 September 2005

| Business segments | Primary | | | | | | Elimina- tions £m | Total £m |
|---|---------------|-------------|-------------------|-------------------|--------------|---------------|-------------------------|--------------|
| | Grocery £m | Food £m | Agriculture £m | Ingredients £m | Retail £m | Central £m | | |
| Revenue from continuing operations | 2,604 | 802 | 747 | 620 | 1,006 | - | (165) | 5,614 |
| Businesses disposed | - | - | 11 | - | - | - | (3) | 8 |
| Internal revenue | (14) | (102) | (15) | (37) | - | - | 168 | - |
| Revenue from external customers | 2,590 | 700 | 743 | 583 | 1,006 | - | - | 5,622 |
| Adjusted operating profit | 185 | 166 | 20 | 65 | 140 | (21) | - | 555 |
| Amortisation of intangibles | (5) | - | - | (20) | - | - | - | (25) |
| Profits less losses on sale of property, plant & equipment | (1) | 24 | (3) | - | - | - | - | 20 |
| Profits less losses on sale of businesses | 1 | - | 3 | - | - | (5) | - | (1) |
| Provision for loss on termination of an operation | - | - | - | - | - | (47) | - | (47) |
| Profit before financial income, financial expenses and taxation | 180 | 190 | 20 | 45 | 140 | (73) | - | 502 |
| Financial income | - | - | - | - | - | 162 | - | 162 |
| Financial expenses | - | - | - | - | - | (137) | - | (137) |
| Taxation | - | - | - | - | - | (141) | - | (141) |
| Profit for the period | 180 | 190 | 20 | 45 | 140 | (189) | - | 386 |
| Segment assets (excluding investments in associates and joint ventures) | 1,756 | 663 | 160 | 923 | 872 | 276 | - | 4,650 |
| Investments in associates and joint ventures | 5 | 5 | 25 | 16 | - | - | - | 51 |
| Segment assets | 1,761 | 668 | 185 | 939 | 872 | 276 | - | 4,701 |
| Cash and cash equivalents | - | - | - | - | - | 929 | - | 929 |
| Employee benefits assets | - | - | - | - | - | 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 liabilities | - | - | - | - | - | (19) | - | (19) |
| Net assets | 1,413 | 572 | 130 | 840 | 642 | 280 | - | 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

| | Europe | | | | Asia Pacific £m | Elimina- tions £m | Total £m |
|-------------------------------------|-------------------------|-------------------------------|-----------------------|-----|-----------------------|-------------------------|-------------|
| | United Kingdom £m | Middle East & Africa £m | The Americas £m | | | | |
| Revenue from external customers | 2,824 | 720 | 1,102 | 976 | - | 5,622 | |
| Segment assets | 2,319 | 717 | 954 | 711 | - | 4,701 | |
| 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 include a provision of £47m for costs associated with the termination of Littlewoods.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006**

| 2. Income tax expense | 2006 | 2005 |
|--|------------|------------|
| | <u>£m</u> | <u>£m</u> |
| Current tax expense | | |
| UK – corporation tax at 30% (2005: 30%) | 37 | 84 |
| Overseas – corporation tax | 46 | 49 |
| Over-provided in prior years | - | (1) |
| | <u>83</u> | <u>132</u> |
| Deferred tax expense | | |
| UK deferred tax | 21 | (2) |
| Overseas deferred tax | 8 | 12 |
| Over-provided in prior years | (1) | (1) |
| Total income tax expense in income statement | <u>111</u> | <u>141</u> |
| Reconciliation of effective tax rate | | |
| Profit before taxation | 419 | 527 |
| Less share of profit from joint ventures and associates | (10) | (7) |
| Profit before taxation excluding share of profit from joint ventures and associates | 409 | 520 |
| Nominal tax charge at UK corporation tax rate of 30% (2005: 30%) | 123 | 156 |
| Lower tax rates on overseas earnings | (23) | (25) |
| Expenses not deductible for tax purposes | 12 | 9 |
| Utilisation of losses | - | (1) |
| Deferred tax not recognised | - | 3 |
| Adjustments in respect of prior periods | (1) | (1) |
| | <u>111</u> | <u>141</u> |

NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006

| 3. Dividends | 2006 | 2005 |
|---------------------|---------------------|--------------|
| | pence | pence |
| Per share | | |
| 2004 final | - | 11.15 |
| 2005 interim | - | 6.00 |
| 2005 final | 12.00 | - |
| 2006 interim | 6.25 | - |
| | <u>18.25</u> | <u>17.15</u> |
| | £m | £m |
| Total | | |
| 2004 final | - | 88 |
| 2005 interim | - | 47 |
| 2005 final | 95 | - |
| 2006 interim | 49 | - |
| | <u>144</u> | <u>135</u> |

The 2006 interim dividend was declared on 19 April 2006 and paid on 3 July 2006. The 2006 final dividend of 12.5p, total value of £99m, will be paid on 12 January 2007 to shareholders on the register on 1 December 2006.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006**

4. Earnings per share

The calculation of basic earnings per share at 16 September 2006 was based on the net profit attributable to equity shareholders of £301m (2005: £379m), and a weighted average number of shares outstanding during the year of 790 million (2005: 789 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Option Scheme on which the dividends are being waived.

Adjusted earnings per ordinary share, which exclude the impact of profits less losses on the sale property, plant & equipment and businesses, provision for loss on termination of an operation, intangible amortisation, exceptional items and the associated tax credits, is shown to provide clarity on the underlying performance of the group.

The diluted earnings per share calculation takes into account the dilutive effect of share options. The diluted, weighted average number of shares is 790 million (2005: 789 million). There is no difference between basic and diluted earnings.

| | 2006 | 2005 |
|--|--------------------|-------------|
| | £m | £m |
| Adjusted profit for the period | 402 | 414 |
| Profits less losses on sale of property, plant & equipment | 10 | 20 |
| Profits less losses on sale of businesses | (4) | (1) |
| Provision for loss on termination of an operation | (8) | (47) |
| Exceptional items | (97) | - |
| Tax effect on above | 26 | 11 |
| Amortisation of intangibles | (41) | (25) |
| Tax credit on intangible amortisation | 13 | 7 |
| Profit for the period attributable to equity shareholders | <u>301</u> | <u>379</u> |
| | 2006 | 2005 |
| | pence | pence |
| Adjusted earnings per share | 50.9 | 52.5 |
| Earnings per share on: | | |
| Sale of property, plant & equipment | 1.3 | 2.5 |
| Sale of businesses | (0.5) | (0.1) |
| Provision for loss on termination of operation | (1.0) | (6.0) |
| Exceptional items | (12.3) | - |
| Tax effect on above | 3.3 | 1.4 |
| Amortisation of intangibles | (5.2) | (3.2) |
| Tax credit on intangible amortisation | 1.6 | 0.9 |
| Earnings per ordinary share | <u>38.1</u> | <u>48.0</u> |

**NOTES TO THE PRELIMINARY ANNOUNCEMENT continued
for the year ended 16 September 2006**

5. Analysis of net funds/(debt)

| | At 18 September 2005 £m | Cash flow £m | Acquisitions/ disposals £m | Exchange adjustments £m | At 16 September 2006 £m |
|---|----------------------------------|-----------------|----------------------------------|-------------------------------|----------------------------------|
| Cash at bank and in hand, cash equivalents and overdrafts ⁽¹⁾ | 894 | (692) | - | (4) | 198 |
| Short-term borrowings ⁽¹⁾ | (412) | 46 | (6) | (1) | (373) |
| Investments | 269 | (216) | - | - | 53 |
| Loans over one year | (539) | 365 | (14) | 12 | (176) |
| | <u>212</u> | <u>(497)</u> | <u>(20)</u> | <u>7</u> | <u>(298)</u> |

- (1) 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. Assets classified as held for sale include £7m of cash balances.

6. Other information

The financial information set out above does not constitute the group's statutory financial statements for the years ended 16 September 2006 and 17 September 2005 but it derived from them. The 2005 financial statements have been filed with Registrar of Companies whereas those for 2006 will be delivered following the company's annual general meeting. The auditors' opinions on these financial statements were unqualified and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985.

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 16 September 2006

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

The financial statements were authorised for issue by the directors on 7 November 2006.

Statement of compliance

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS). These are the group's first consolidated financial statements prepared under IFRS and IFRS 1 has been applied.

Basis of preparation

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

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

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

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

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

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

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

Share-based payments – the measurement provisions of IFRS 2 have not been applied to share options granted prior to 7 November 2002 nor to any options that vested prior to 19 September 2004;

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

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

Basis of consolidation

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

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

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

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

Business combinations

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

Revenue

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

Borrowing costs

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

Exceptional items

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

Foreign currencies

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

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

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

Pensions and other post-employment benefits

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

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

Share based payments: employee benefits

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

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

Income tax

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

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

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

the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Financial instruments

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

Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates and also to changes in the price of certain commodities used in the manufacture of its products.

Derivative financial instruments are recognised in the balance sheet at their fair value calculated using either discounted cash flows or option pricing models consistently applied for similar types of instrument. Both techniques take into consideration assumptions based on market data. Changes in the fair value of derivatives that do not qualify for hedge accounting are charged or credited to the income statement.

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

The group designates derivatives that qualify as hedges for accounting purposes as either: (a) a hedge of the fair value of a recognised asset or liability (fair value hedge), (b) a hedge of a forecast transaction or firm commitment (cash flow hedge), or (c) a hedge of a net investment in a foreign entity. The method of recognising the resulting gains or losses from movements in fair values is dependent on whether the derivative contract is designated to hedge a specific risk and qualifies for hedge accounting.

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

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

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

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

Non-derivative financial instruments

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

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

Comparative accounting policy for 2005

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

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

Property, plant & equipment

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment charges.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant & equipment sufficient to reduce them to their estimated residual value.

Land is not depreciated. The estimated useful lives are as follows:

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

Biological assets

Cane roots and growing cane are valued at fair value determined on the following bases:

- Cane roots - the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.
- Growing cane - the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport.

Leases

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

Intangible assets other than goodwill

Intangible assets that are acquired by the group and have a finite life are stated at cost less accumulated amortisation and impairment charges.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

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

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiary undertakings, associates and joint ventures. In respect of business acquisitions that have occurred since 3 September 2004, goodwill represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired, including separately identified intangible assets.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, represented by the net book value recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 3 September 2004 has not been reconsidered in preparing the group's opening IFRS balance sheet at 18 September 2004.

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

Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or

process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

Impairment

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

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

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

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

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

Calculation of recoverable amount

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

Reversals of impairment

An impairment charge in respect of goodwill is not subsequently reversed.

In respect of other assets, an impairment charge is reversed if there has been a change in the estimates used to determine recoverable amount.

An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

Inventories

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

Cash and cash equivalents

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

New standards and interpretations not yet adopted

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

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

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

IFRIC 8 Scope of IFRS 2 Share-based Payments addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the group's 2007 financial statements, with retrospective application required. The group has not yet determined the potential effect of the interpretation.

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

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

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