

For release 4 November 2008

ASSOCIATED BRITISH FOODS plc

Annual Results Announcement

Year ended 13 September 2008

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Associated British Foods plc results for year ended 13 September 2008

ABF demonstrates resilience with good results and continuing strong investment

Financial Highlights

- Group revenue up 21% to £8.2bn
- Adjusted operating profit up 7% to £664m*
- Adjusted profit before tax up 3% to £632m**
- Adjusted earnings per share up 4% to 54.9p**
- Dividends per share up 4% to 20.25p
- Net investment in capital expenditure and acquisitions of £710m
- Net debt of £791m

- Operating profit level at £554m, profit before tax up 4% to £527m and basic earnings per share down 3% to 45.2p

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

“These good results demonstrate the resilience of the group. Consumer spending in many parts of the world has been under pressure for some months. Despite this, Grocery, Agriculture and Primark all delivered strong sales and profit growth. While faced with a general economic downturn, we remain committed to the group’s expansion and development, most notably in Sugar and Primark.”

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

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

All figures stated after amortisation of non-operating intangibles, profits less losses on the sale of PP&E, losses on the sale and closure of businesses and exceptional items, 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 £8.2bn and 96,000 employees in 44 countries. It has significant businesses outside Europe in southern Africa, the Americas, China and Australia.

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. The group has strong positions in the markets in which it operates:

Sugar	The group is the second largest sugar producer in the world. British Sugar is Europe's most efficient producer and the sole processor of the UK beet sugar crop. It has adapted to the structural changes in world sugar production and has strong positions in southern Africa, China and Poland. Illovo is the largest sugar processor in Africa and one of the world's leading, low-cost producers.
Agriculture	AB Agri sells animal feeds and micro-ingredients to farmers and purchases grain and oilseeds from them. It has facilities in the UK and China and markets products in 40 countries worldwide.
Retail	Primark is a fast-growing, major, value clothing retail group employing over 25,500 people. It now has 181 stores in the UK, Ireland and Spain.
Grocery	<p>The international hot beverages business comprises Twinings, the world's leader in speciality teas and infusions, and Ovaltine, the largest producer of malt-based beverages in Europe and Thailand.</p> <p>The UK's leading, authentic Indian cuisine brand, Patak's, has been combined with our pan-oriental foods brand, Blue Dragon, to create a retail 'world foods' business. This is complemented by Westmill Foods' leading presence in the supply of ethnic foods to the UK ethnic wholesale channel.</p> <p>In the growing 'better for you' category, Ryvita and Jordans have developed a strong position in healthy snacking.</p> <p>Allied Bakeries is a leading UK bread supplier with the well known brands: Kingsmill, Burgen, Allinson and Sunblest.</p> <p>George Weston Foods is Australia's second largest grocery company whose wide range of grocery brands includes Tip Top and Noble Rise bakery products and Don, KR Castlemaine and Watsonia smallgoods.</p> <p>ACH has a strong portfolio of grocery brands in the Americas. Mazola is the leading corn oil in the US and Capullo the leading premium vegetable oil in Mexico. ACH also has strong positions in herbs and spices, sauces, corn syrup, starch and yeast for home baking.</p>
Ingredients	AB Mauri has a global presence in bakers' yeast, with significant market positions in the Americas, Europe and Asia, and is a technology leader in bakery ingredients. It operates from 43 plants in 28 countries. ABF Ingredients manufactures speciality proteins, enzymes, lipid technologies and polyols.

3. We continue to invest heavily in the future growth of the group. Net capital expenditure in the year of £545m included £152m on the acquisition and fit out of new stores for Primark and £49m for the purchase of sugar quota in the UK and Poland, negotiated in 2006. Elsewhere, major projects are underway in the expansion of our sugar operations in southern Africa and China, bioethanol production in the UK, yeast and yeast extract production in China and enzyme capacity in Finland. Acquisition spend of £224m related mainly to the Italian and German yeast businesses of Gilde Bakery Ingredients for AB Mauri, beet sugar factories in north east China and KR Castlemaine in Australia.

**ASSOCIATED BRITISH FOODS plc
ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 13 SEPTEMBER 2008**

For release 4 November 2008

CHAIRMAN'S STATEMENT

The year saw steadily worsening economic conditions with sharp rises in input costs, particularly raw materials and energy, and falling consumer confidence. In these circumstances the group delivered good results and adjusted operating profit increased by 7%. If the results of the businesses which were affected by EU sugar regime change are excluded, profits were ahead by 18%, an excellent achievement.

Considerable further investment was made during the year, particularly in the expansion of our sugar interests in China and Africa and in Primark's retail space, and also in our grocery and ingredients businesses. Additional investment and higher working capital, together with higher interest rates, resulted in a substantial increase in interest payable. Adjusted profit before tax rose by 3% and, with a slightly lower rate of tax than last year, adjusted earnings per share increased by 4%.

This year's result includes a net exceptional charge of £46m arising from major restructuring initiatives. This comprises a provision for the rationalisation of our Australian meat business, following the acquisition of KR Castlemaine at the end of March, less a net gain on the renunciation of sugar quota in the UK and Poland.

Revenue grew by 21% to £8.2bn driven, in good part, by our ability to recover rising input costs, but also by volume increases reflecting our past capital investment, acquisitions and favourable currency translation.

The year has seen further development for the sugar businesses. In Europe the transition to the new EU sugar regime is largely over and there is now the prospect of reasonable equilibrium in a market where consumption will exceed domestic production. In China, development plans for the north east have been taken forward and major phased expansion will take place over the next few years. These plans will lead to the development of factory operations and are expected to achieve marked improvements in agricultural performance in the region. Illovo has also extended capacity through various projects and has well-developed plans for further increases in the next few years. Across the three major regions in which the group operates, sugar production in the year amounted to some 3.85 million tonnes and will be substantially increased over the next few years. The joint venture with BP and DuPont has commenced construction of the bioethanol plant in Hull and is on schedule for commissioning in 2010.

The profits of the European sugar businesses fell sharply in the year, caused by an increase in the restructuring levy and the temporary reduction of quota, and the results in China were adversely affected by lower prices after an exceptional crop. By contrast, Illovo's results were very good.

Primark achieved strong growth in both sales and profits. Like-for-like sales growth was very satisfactory in a marketplace which, as a whole, became progressively tighter during the year. Selling space was expanded further, although not at the exceptional rate of the previous year. In the increasingly difficult economic environment, Primark is well placed to compete. Expansion is continuing in the UK, Ireland and on the Continent, where the results of the Spanish stores have been very encouraging. Another major UK distribution centre was opened recently and we have strengthened management further in light of the significant expansion of the business.

The group's grocery businesses made excellent progress in the year, delivering substantially higher profits against a background of sharply rising commodity costs. In most cases, successful steps were taken to adjust sales prices, although there was a lag in the ability of the US oils business to recover, fully, quite exceptional rises. Twinings and Ovaltine made advances both in major established markets and other markets where there is much scope for development. There was strong improvement in the performance of Allied Bakeries following the very successful relaunch of Kingsmill

in 2007. The integration of the World Foods businesses, Patak's and Blue Dragon, proceeded well and good sales growth was achieved by both brands. It was also pleasing to move forward with the merger of Ryvita and Jordans where we now have a 62% stake. Our grocery businesses are a major strength of the group.

Among our other businesses, AB Agri had an exceptional year. While part of the success was due to its ability to operate well in extremely volatile commodity markets, long-term improvements in fundamentals played a major role. The ingredients businesses posted sound growth in difficult conditions.

Net capital expenditure and investment in new businesses net of disposals amounted to £710m. Over £500m was incurred to expand plant capacity and on new Primark stores. Major acquisitions in the year included beet sugar factories in north east China, the KR Castlemaine meat business in Australia, which is being integrated with our existing meat business, and further expansion of our European yeast operations.

Working capital at the financial year end was some £340m higher than last year end driven, in part, by the acquisitions in the year but mainly as a consequence of the rises in input prices referred to throughout this statement. This much higher working capital was one of the major reasons for the increase of £480m in year end net debt to £791m, the other major contributors being acquisition spend net of disposal proceeds, and higher capital expenditure. Although the group was well within its borrowing facilities at year end, we have secured additional borrowing capacity since the year end in anticipation of further investment.

The group is becoming increasingly involved with developing countries, both through ownership of local manufacturing operations and through sourcing from local, third-party manufacturers. The value of economic growth to developing countries of both local operations and third-party sourcing is generally accepted. In our own manufacturing operations we are the employers of the local work force. As a consequence, we are able to set employment standards and agree benefits directly with the workforce. As an example, in several countries in southern Africa, Illovo provides housing, education, healthcare, infrastructure and other benefits for employees and their dependants. Where we source from third-party manufacturers, the position is different as the group does not have an employer/employee relationship. This is particularly the case for Primark which, with other major European and US retailers, sources large quantities of goods from developing countries. Primark sets contractual requirements with suppliers for workplace standards and monitors their application. It is, however, much more difficult to ensure the required standards are consistently observed where Primark is not the employer. As a group, we are committed to high standards in the supply chain and will continue to work to achieve them.

Board changes

I reported a year ago that Lord MacGregor and Mike Alexander would retire as directors on 7 December 2007 and paid tribute, at that time, to their contributions to the board.

On 1 October 2008 Charles Sinclair was appointed to the board as an independent non executive director. Until 30 September 2008, Mr Sinclair was chief executive of Daily Mail and General Trust plc. He is also a non-executive director of SVG Capital Plc. I am confident Charles will make a valuable contribution to the board's work.

Employees

The group now employs 96,000 people in 44 countries. Their skills, ingenuity and hard work, often in very demanding conditions, deliver the results covered in this report. When I visit our operations in the UK and abroad, I am always impressed by the ability and enthusiasm of the people who work in the group. I am grateful to them all for their continued efforts over the past year.

Dividends

A final dividend of 13.5p is proposed, to be paid on 9 January 2009 to shareholders on the register on 5 December 2008. Together with the interim dividend of 6.75p paid on 3 July 2008, this will make a total of 20.25p for the year, an increase of 4%.

Outlook

The economies in which the group operates face extremely testing conditions. There is also very great uncertainty about how these conditions will develop over the coming year. The group's businesses will not be immune to a worsening economic climate. However, by virtue of the nature, range and market position of the group's businesses we are well placed to face this demanding environment. We expect to maintain capital investment at planned levels in spite of the economic outlook. We anticipate some progress in operating profits over the coming year but little change in net earnings due to additional interest expense. I am confident that the recent and planned capital investment positions the group well for the longer term.

Martin Adamson
Chairman

OPERATING REVIEW

Group revenue increased by 21% to £8.2bn and adjusted operating profit increased by 7% to £664m. These good results again demonstrate the resilience of the group when faced with a number of challenges, most notably the continuing impact of EU sugar regime reform, the pressure on consumer spending in many parts of the world and sharply higher commodity costs.

Our sugar operations performed well. The businesses in Europe are now emerging from the restructuring that has taken place over recent years in response to regime reform and will benefit from greater stability in their operations and certainty in their markets. Illovo has gone from strength to strength and has continued to build its capability, and our business in China has taken on an entirely different shape with the creation of a new beet sugar business in the north east.

Agriculture had a quite extraordinary year and demonstrated its agility by responding quickly to an extremely volatile market. It has developed its customer and supplier relationships with its strong market position providing confidence in difficult economic conditions.

The excellent increases in sales and profit at Primark are the result of good like-for-like sales growth and the substantial investment in retail selling space in recent years. They are also a testament to its continued success in delivering the latest fashions, manufactured to good quality and ethically sourced, at affordable prices.

Our grocery businesses grew strongly last year with profits up 27%. The substantial improvement at Allied Bakeries was enormously encouraging and Twinings Ovaltine, Westmill and milling and baking in Australia all delivered excellent results.

Our commitment to the group's expansion and development is underlined by the continuing strong investment in capital expenditure and acquisitions in all businesses, most notably in sugar and Primark. We have embarked upon a number of important projects that will see several hundred million pounds invested over a two or three year timeframe that will change the scale of our operations, notably in sugar production in southern Africa, particularly Zambia, and north east China, in meat and dairy in Australia, enzymes in Finland, yeast and yeast extracts in China, biofuels in the UK and further new stores for Primark.

There have been a number of significant developments in the grocery business over the last few years, which have strengthened the portfolio considerably. The acquisition of Patak's and its integration this year with Blue Dragon created a major retail ethnic foods business with a strong UK presence and potential for expansion elsewhere in Europe. The completion of the Jordans merger with Ryvita has produced a strong player in the growing 'better for you' category and in Australia, the acquisition of KR Castlemaine and the plans for its integration with our existing operation there has created a market-leading business. Since the year end we have announced the creation of a packaged oil joint venture with Archer Daniels Midland in the US and this new entity has exciting prospects for growth, particularly in the foodservice sector. The ACH business that remains will be more brand focused and consumer orientated.

SUGAR & AGRICULTURE

Sugar	2008	2007
Revenue £m	1,267	1,151
Adjusted operating profit £m	153	199

Sugar profit was substantially lower than last year reflecting the further effects of EU sugar regime reform on our UK and Polish operations which amounted to £50m. Furthermore, profits were reduced in China with lower sugar prices as a result of a record crop despite earlier fears of the effects of frost damage to the cane in the south. Illovo continued to trade well with higher volumes and the benefit of higher domestic and world sugar prices.

Profit in the UK and Poland was impacted by an increase in the restructuring levy per tonne from €126 last year to €174 and an increase in the temporary quota reduction from 152,000 tonnes to 191,000 tonnes. The UK campaign was successful but profit was also lower as a result of higher energy costs and a smaller crop of 1.05 million tonnes of sugar which was affected by the heavy mid-summer rains in 2007. A number of projects have been successfully implemented in the UK which improve energy efficiency at our factories and underpin the new manufacturing configuration following the closure of York and Allscott. Poland had an exceptionally good campaign with production of 227,000 tonnes and new operating records set at Gliniojeck. The strengthening of the euro benefited the profitability of the UK business with some offset from the strength of the zloty against the euro on the Polish business.

The European Commission has confirmed that a total of 5.65 million tonnes of quota for sugar, inulin and isoglucose has been permanently renounced across the EU, virtually achieving its targeted reduction of 6 million tonnes in EU sugar production. Almost all of this reduction is effective from October 2008 and, given that Least Developed Countries (LDC) tariff-free imports will not flow into the EU until October 2009 in any significant quantity, there is an expectation that the coming year will see the EU market in deficit. The final changes of reform to sugar reference price, levies, beet prices and access for LDC will become effective in October 2009 and have already been announced. No further changes are expected until the next review of the regime which is scheduled to be effective from October 2015.

British Sugar received confirmation during the year that its application to renounce permanently 206,000 tonnes of UK and Polish sugar quota had been accepted. The resulting EU quota for these businesses is now 1.21 million tonnes. The income statement includes an exceptional credit of £25m comprising compensation receivable from the EU less factory closure costs and the write-off of the unamortised cost of quota purchased in 2006.

Wissington has been fully operational in the production of bioethanol from beet sugar for over a year. Yields were ahead of expectation and the price of ethanol in Europe firmed during the year. Vivergo, our joint venture with BP and DuPont, is building a world-scale bioethanol plant that will use wheat as its feedstock. Full planning consent has now been granted for the site at Hull and construction has commenced. Engineering contracts for the major plant items have been placed and it is anticipated that the site will be commissioned during 2010.

This year has seen noteworthy development in our sugar business in China. Our cane sugar crop in the south exceeded earlier expectations, we built a significant business in beet sugar in the north east and the combined crop yielded 755,000 tonnes of sugar. However, profit was held back by much lower sugar prices. National production of sugar in China increased from 12 million tonnes in 2006/7 to 14.9 million tonnes in 2007/8 and so, despite strong growth in demand, which was up 8% year-on-year, and even government measures to remove volume, sugar prices fell sharply in the second half of the year. Construction of the Jinchengjiang mill in Guangxi is well underway and is due to be completed by the end of this calendar year.

We have created a business in north east China comprising 11 beet sugar factories operating in Heilongjiang, Hebei and Inner Mongolia. The business was formed by the acquisition of factories that were previously independently owned and operated and which have been combined into a single, co-ordinated entity, ideally positioned to supply the important Beijing and Harbin markets. At the year end we held a 51% shareholding in the business which has since been increased to 65%. A five-year development plan for the factories and for the advancement of beet growing technology in the region is in place, the first part of which will be completed in December 2008 with the expansion of Qianqi and Yi'an factories. In addition a joint venture, BoCheng, has been created which operates the factory at Beifeng in Heilongjiang province. The businesses have established strong links with both local and provincial government and are investing in technical colleges to support this long-term development programme.

Profit at Illovo grew strongly and the crop increased to 1.82 million tonnes of sugar. Strengthening world sugar prices, which favourably impact world sugar sales out of South Africa, higher downstream product prices and a favourable rand / US dollar exchange rate all benefited the performance in the

year. Strong domestic revenues and higher sales to neighbouring markets also had a favourable impact on the results in Malawi and Zambia and offset a difficult start up at the Nakambala mill in Zambia following completion of the first phase of its expansion.

This initial phase involved the development of additional irrigated cane by private growers and an increase in milling capacity. The final phase of the expansion programme is currently underway which will greatly increase the power generation capability as well as extend milling capacity further and develop additional acreage of irrigated cane. On completion we will have almost doubled sugar production at Nakambala. Smaller expansion schemes in Malawi and Tanzania have also been completed with strong performances from both countries.

Germins, our seed coating business, performed well. Its seed priming technology is now firmly established with the European and US beet sugar industries as providing a yield advantage over unprimed variants.

Agriculture	2008	2007
Revenue £m	867	645
Adjusted operating profit £m	33	18

AB Agri, our agriculture business, had a very strong year during which the combination of its trading skills, market knowledge and customer relationships enabled it to outperform a market characterised by extremely volatile raw material prices. European grain prices doubled during the first half of the year and low grain stocks worldwide, unpredicted weather events and heavy trading in the commodity markets resulted in unprecedented levels of daily price volatility. Stronger feed prices were sufficient to offset higher raw material and energy costs, lower volumes of molassed sugar beet feed and increased production costs in our ruminant feeds business.

Frontier is our grain supply joint venture. It has a strong balance sheet, access to working capital and superior market knowledge which differentiate it from its competitors. Through its leading market position, unique centralised operating structure and national trading system, it was ideally placed to manage the extreme price volatility during the year on behalf of its grain customers and farmer suppliers. Moreover, higher cereal and oilseed prices encouraged an increase in UK sowings resulting in a more buoyant market for Frontier's fertilisers, seed varieties and crop protection products. As expected, the business has now concluded an agreement to supply Vivergo with over one million tonnes of feed wheat for its bioethanol facility.

We are establishing an increasingly international presence in the high technology, high added-value feeds market which specialises in micro-feed ingredients that enhance nutrient absorption and provide a better return for farmers. Sales of feed enzymes by AB Vista were particularly buoyant with several new products launched and a doubling of the number of countries served over the last two years. New sales offices in the US, Mexico, India and China were established during the year.

Our feeds business in China was relatively untouched by the widely reported natural disasters that occurred there. We achieved strong sales growth in each of the species markets that we supply. Our mill building programme is continuing and on completion will deliver a 20% increase in production capacity.

AB Agri is taking a central role in a number of schemes to promote sustainable agricultural practice. The first Carbon Trust accredited, greenhouse gas reduction model for dairy farms was launched to Sainsbury's dairy suppliers and our WildCare scheme on biodiversity, which we operate in conjunction with Waitrose, was awarded the Green Apple Award for "Environmental Best Practice".

RETAIL

	2008	2007
Revenue £m	1,933	1,602
Adjusted operating profit £m	233	200

Primark achieved excellent growth in sales and profit again this year.

Sales increased by 21% as a result of growth in retail selling space and like-for-like sales growth of 4% for the full year. This organic growth was remarkably strong given the already reported weak trading in April when poor weather this year contrasted with warm weather and the benefit of Easter trading in the comparative period last year. This performance was against a background of declining consumer confidence which highlights both the continued growth of the value clothing sector's share of the retail market and Primark's ability to thrive in difficult economic circumstances.

Profit increased by 17% to £233m but operating profit margin reduced from 12.5% to 12.1%. Although gross margins were broadly the same, overheads were impacted by higher distribution costs, including the cost of supporting the new stores in Spain, and higher occupancy costs driven by increased depreciation. As a consequence of recent and anticipated further expansion, we opened another major distribution centre at Thrapston, Northamptonshire at the end of the financial year, increasing our UK capacity by some 50%.

We opened 12 stores during the year; seven in Spain, one in the Republic of Ireland and four in the UK; but we also closed the smaller store in Brighton to bring the total to 181 stores at the year end. Retail selling space increased by 13% over the period to 5.4 million sq ft.

In Ireland we carried out two major store refits, extended our Galway store and opened a new store in Cork. In the UK, we opened a third floor at our largest store in Manchester, increasing selling space to 136,000 sq ft, and extended sales floors in Nottingham and Newcastle. We opened new stores in Ealing, Basingstoke and Brighton and, following the compulsory purchase of our old store, made a return to Derby, one of the first cities in the UK to enjoy the Primark experience when it arrived in 1974. Our Spanish stores performed well. We opened new stores in Jerez, Bilbao, Oviedo and Zaragoza and a further three stores in Madrid, bringing our total there to four. Our arrival in Spain gathered momentum this year and began to enjoy the same critical acclaim from the retail trade that we have experienced in the UK and Ireland, culminating in the receipt of our first prestigious Spanish award, 'Best Shopping Centre Retailer 2008'.

We expect to add at least a further four stores in Spain in the coming year and have announced plans to open test stores to explore the potential in the Netherlands and Germany, the first of which is expected to open early in 2009. There are still great opportunities for growth in the UK and Ireland where the pipeline of new stores is strong and plans are already in place to open stores in Cambridge, Corby, Edinburgh and High Wycombe in the coming year.

During the year we ceased to trade with three suppliers in the Tirupur garment producing area of India. This area is a major production centre for the world's garment retailers and has experienced rapid expansion and development in recent years. It has therefore become a major centre for wealth creation and employment and Primark spent some £100m last year in the region. Buying from developing countries is an important catalyst for their social and economic development. However, there are additional complexities when sourcing products from developing economies.

All our suppliers are required to comply with a strict code of conduct which lays down, amongst other things, minimum standards of health and safety, welfare, human rights and wages that we are prepared to accept in relation to the treatment of their employees. We employ our own in-region ethical managers as well as third party auditors to check that our suppliers meet their contractual obligations and that proper standards are being maintained. Where we find shortcomings we work closely with suppliers to remedy the deficiencies and, in this way, seek to play our part in the general improvement of working conditions. The three suppliers, whose contracts were not renewed during the year, were engaged with us in such an improvement programme when it came to light that these suppliers were subcontracting without Primark's knowledge. Our own extensive investigations

concluded that the breach of trust in this case was so serious as to make further attempts at remediation impossible. Our presence in the garment industries of the developing world is a force for good but we are acutely aware of our responsibility to ensure that all activity within our supply chain meets acceptable ethical standards. We are dedicated to working towards this goal with all stakeholders: suppliers, governments – regional and national – and Non-Governmental Organisations, (see www.ethicalprimark.com for more information).

New store openings:		
Bilbao (Spain)	Parque Corredor , Madrid (Spain)	Basingstoke (UK)
Islazul, Madrid (Spain)	Xanadu, Madrid (Spain)	Brighton (UK) - relocation
Jerez (Spain)	Zaragoza (Spain)	Derby (UK)
Oviedo (Spain)	Cork (Ireland)	Ealing (UK)

GROCERY

	2008	2007
Revenue £m	3,254	2,605
Adjusted operating profit £m	194	153

Revenue for the year increased 25% on last year. This was driven through a combination of acquisitions, price increases to recover commodity cost inflation and volume growth. Profit was ahead 27% as a result of the substantial improvement at Allied Bakeries and good growth from Twinings Ovaltine, Westmill and milling and baking in Australia.

Commodity cost inflation has been a feature for all of our grocery businesses this year. Some had seen costs rise at the end of summer last year and had already begun pricing negotiations with customers. Twinings Ovaltine experienced increases in barley and dairy costs, substantial increases in wheat costs affected our bakery businesses in the UK and Australia, and very strong demand for vegetable oils saw the price of corn, soy and canola oils rise sharply in the US. Commodity price increases continued into this financial year together with steeply rising energy costs. Our businesses reacted quickly to recover these costs by raising prices although price increases at ACH in the US were delayed until after the high demand period running up to Christmas.

Twinings Ovaltine had another very good year with revenue up 17% on last year. Twinings in the UK benefited from the continued growth of Everyday Tea and a strong performance in green teas. Our flavoured infusions range was relaunched containing only natural ingredients which is a unique position in the market. In the US, Twinings was the fastest growing tea brand, supported by the national rollout of our successful regional media campaign. In Australia, we launched Simply Twinings, our everyday offering in that market, and sales and market share increased following television advertising featuring Nigella Lawson.

Sales of Ovaltine increased 12% this year with growth across the range of powder, ready-to-drink and brand extensions. Growth in the North ASEAN region was led by another excellent performance in Thailand where we strengthened our number one position. Ready-to-drink and the successful launch of Ovomaltine crunchy biscuits drove strong sales growth of the brand in Switzerland.

Good progress was made in improving access to certain key markets. We established a new joint venture in Japan, signed new distribution agreements in Indonesia and established new and more-targeted routes to market in Russia (Twinings) and Brazil (Ovaltine). Supply chain efficiencies were achieved during the year. The Ovaltine factory in Manila was closed and production was transferred to existing factories in Thailand and China where we have made significant investments in increased capacity. The tea packing plant in Belfast was also closed with production consolidated into our UK facilities.

The merger of Ryvita and Jordans was completed on 29 August 2008. We have a 62% interest in the combined entity and integration of these businesses is now underway. Ryvita's sales were driven by a strong performance in UK crispbread with continued growth of premium variants, pricing to recover raw material inflation and marketing support. New product launches included flatbreads, branded Ryvita Thins, and baked wholegrain savoury snacks, Ryvita Limbos. Significant work has been undertaken on a major relaunch of the Jordans brand including new packaging formats, formulations and increased marketing support. This is being rolled out in the UK this autumn.

The performance of Allied Bakeries improved significantly year-on-year. Bread volumes increased with a strong focus on quality, availability and customer service. After several years of volume decline, the UK bread market has now stabilised and following its successful relaunch in 2007, the Kingsmill brand continued to gain market share. A strong advertising campaign focused on the core range and drove the portfolio, most notably in Great Everyday White and 50/50, a white bread with wholemeal flour. We launched new premium Kingsmill products under the 'Seeds and Oats' range. Allinson benefited from its national relaunch with new products and packaging and advertising support.

AB World Foods delivered encouraging growth in its Blue Dragon and Patak's brands both in the UK and international markets, particularly Australia and Russia. Market share increased in pastes and sauces in glass, and stir fry and dipping sauces. Meena's, a premium Indian sauce range, was launched this summer and is performing well at this early stage. The integration of Blue Dragon and Patak's was successfully achieved during the year. The combined business now operates with a single UK distribution system, a common IT platform and a unified sales force. The Blue Dragon factory in Poland was commissioned and production was transferred from the factories in Wales that were then closed.

Profit at Westmill Foods increased despite significant rises in the cost of edible oils, rice, flour and spices. These higher costs were successfully recovered whilst maintaining volume growth in the key brands with Green Dragon, Tolly Boy rice and Lucky Boat noodles performing particularly well.

Refined sugar volumes increased significantly at Silver Spoon but profits declined reflecting the lower margins in the very competitive UK retail sugar market. Good growth was achieved in our Fairtrade business with a highlight being the conversion of Sainsbury's own label sugar to Fairtrade in partnership with Illovo. Fairtrade proceeds benefited farmers' co-operatives in Malawi and Zambia. The Billington's brand of unrefined sugars also experienced strong growth.

At ACH in the US, the Mazola vegetable oil brand experienced some volume decline following sharp price increases to recover higher corn oil costs. The baking brands, Argo, Karo and Fleischmann's, and gourmet spices, Spice Islands, Weber Grill and Tone's all delivered volume growth supported by increased marketing. In Mexico, Capullo performed well with volumes held despite price increases.

On 28 October 2008 we announced the creation of Stratas Foods, a joint venture with Archer Daniels Midland Company ("ADM") for the manufacture, marketing and distribution of packaged oil products in the US and Canada. ABF and ADM will each hold a 50% share in the joint venture which will be headquartered in Memphis, Tennessee. ABF will contribute US\$38m of assets from the ACH oils business, primarily in the form of trademarks, whilst ADM will contribute packaging equipment at four of its facilities in the US.

Stratas Foods will serve the foodservice, speciality food ingredient and retail private label bottled oil markets. It is expected to produce 2.5 billion lbs of oil in its first full year of operation with revenue of some US\$1.4bn. Its broad portfolio of products includes vegetable oil, shortening, margarine and pan spray and its foodservice brands include Whirl and Frymax. The joint venture combines the strengths of two leaders in the packaged oils industry. It will build on the sales and marketing expertise of ACH, and the origination and processing capabilities of ADM. It will offer an integrated supply chain, exceptional processing capabilities and industry-leading product development.

The remaining ACH business will focus on its retail consumer brands. Brands are now expected to account for virtually all of ACH's revenue compared to only half before the formation of the joint venture.

Our Australian grocery business delivered strong sales growth with significantly improved performances from milling, baking and bakery ingredients. In baking, price increases were successfully achieved in November 2007 and July 2008. Noble Rise bread was relaunched with five new variants under the slogan 'Take a stand against the Bland' and Burgen was upgraded to facilitate a stronger health claim backed by the 'Biggest Loser' campaign. Manufacturing efficiencies will be achieved with the announced closures of the Canberra and Orange bakeries in New South Wales.

The acquisition of KR Castlemaine, a leading meat and smallgoods manufacturer, was completed at the end of March. It is located in a large, modern facility at Castlemaine, 70 miles north west of Melbourne. We have announced the proposed rationalisation of our meat business for which an exceptional provision has been included in the income statement. This will allow the closure of our existing factories in Perth and Melbourne in 2009 and 2010 and the transfer of production to the newly acquired, low-cost factory at Castlemaine which will be expanded to accommodate the higher volume. The combined business will be the market leader in smallgoods in Australia and will double the size of our existing business with sales of over £300m.

INGREDIENTS

	2008	2007
Revenue £m	842	698
Adjusted operating profit £m	75	71

Revenue increased by 21% driven by organic growth in the yeast business and the acquisition of the Gilde Bakery Ingredients business in Italy. There was sustained upward pressure on energy costs and key raw material prices, notably molasses and phosphates. Some cost recovery was achieved through price increases, but was inadequate in the very competitive milk proteins business. Profit margins fell as a result.

Good profit progress was made across the world in yeast and bakery ingredients with good volume growth in South America and China. Brazil had an exceptional year. We continued to grow our bakery ingredients businesses, both through craft bakery and industrial channels. In particular, we have been able to exploit our proprietary enzyme technology and continue to build strong partnerships with the world's largest bakeries.

In October 2007 we acquired, from Gilde Bakery Ingredients, their sales and distribution operations in France and Benelux and the Italian business, including the Casteggio wet and dry yeast plant. The sales and distribution operations have been successfully integrated and we have been able to deliver significant cost savings at the Italian plant. Since the year end the European Commission has approved the completion of the acquisition of a 50% shareholding in the Uniferm yeast and bakery ingredients business in Germany.

The expansion of the Chinese yeast plant in Harbin has progressed well. This expansion is to meet increasing domestic demand and to provide a low cost base for the supply of dry yeast globally. A new yeast extracts plant is also being constructed alongside the yeast plant to provide additional capacity now that the existing German plant is fully utilised. We have seen the continuation of the trend towards tighter environmental controls around the world and have been investing to upgrade our facilities to keep pace with changing regulatory requirements.

At ABF Ingredients, enzyme profits grew strongly with sales to the food and beverage and animal feeds markets performing particularly well. The increased demand for enzymes has led to further investment to expand capacity at our plant in Finland by some 40%. This is due to be commissioned early next summer. Profitability declined at our speciality protein business in the US with an inability

to fully recover milk and dairy commodity price increases in a very competitive market. Since the year end we have announced the decision to close the loss-making milk protein factory in Norfolk, Nebraska, and the remaining business will concentrate on the production of whey proteins at Juda, Wisconsin. The sale of Abitec, our small, UK-based, emulsifier business, was completed in August.

George Weston
Chief Executive

FINANCIAL REVIEW

GROUP PERFORMANCE

Group revenue increased by 21% to £8,235m. This substantial increase was driven mainly by the continued growth at Primark and price rises across our other businesses to recover the major increases in commodity costs. Volume growth and the benefit of acquisitions and the translation effect of the weakening of sterling also contributed. At constant currency, and excluding the benefit of acquisitions, revenue increased by 13%.

Operating profit, adjusted to exclude exceptional items, the amortisation of non-operating intangibles and profits on the sale of property, plant and equipment, increased by 7% to £664m. This was achieved in the face of a number of challenges. The impact of the changes in the EU sugar regime was £56m and higher commodity prices added some £390m to our cost base. At constant currency, and excluding the benefit of acquisitions and EU sugar regime changes, adjusted profit increased by 12%.

The disposal of properties, plant and equipment resulted in a profit of £10m. A net profit of £5m, including goodwill written off of £21m, arose on the sale of businesses including the yeast business in Germany, which was sold as a condition of acquiring the German yeast business of Gilde Bakery Ingredients, our UK-based emulsifier business and a small animal feeds business in Northern Ireland.

Finance expense less finance income of £53m compares with a charge of £35m last year. This year-on-year increase resulted from the continued significant level of capital investment to develop opportunities in our existing businesses, many of which are of a long-term nature, the acquisition of new businesses and the impact of much higher commodity prices on working capital. Other financial income of £21m was primarily net pensions financing income, being the expected return on assets in the group's pension schemes less the charge on pension scheme liabilities.

Profit before tax increased from £508m to £527m. This year's result includes an exceptional charge of £46m arising from major restructuring initiatives. The permanent renunciation of sugar quota for the UK and Poland agreed with the European Commission was 206,000 tonnes. Compensation receivable for this renunciation, net of the write-off of the unamortised cost of quota purchased in 2006 and provision for the associated factory closure costs, resulted in a gain of £25m. We have also provided for the proposed rationalisation of our Australian meat business following the acquisition of KR Castlemaine at the end of March. Adjusted to exclude these exceptional items, the amortisation of non-operating intangibles and profits and losses on the sale of businesses and fixed assets, profit before tax increased 3% from £613m to £632m.

TAXATION

The tax charge of £136m included an underlying charge of £154m, an effective tax rate of 24.4% on the adjusted profit before tax. This was slightly lower than last year's 25.0% as a result of the mix of profits in different tax jurisdictions.

The net tax credit of £23m on the exceptional items described above has also been treated as exceptional in the income statement together with a tax charge of £17m to reflect the increase in the group's deferred tax liability following a change of tax law in the UK Finance Act 2008 which will phase out Industrial Buildings Allowances.

The overall tax charge for the year benefited from a £21m (2007 - £30m) credit for tax relief on the amortisation of non-operating intangible assets and goodwill arising from asset acquisitions. A tax charge of £9m was incurred on the profits arising on the sale of businesses and fixed assets.

EARNINGS AND DIVIDENDS

Earnings attributable to equity shareholders of £357m were £12m lower than last year and the weighted average number of shares in issue remained at 790 million. Earnings per ordinary share fell by 3% from 46.7p to 45.2p. A more consistent measure of performance is provided by the adjusted earnings per share which excludes exceptional items, profits on the sale of businesses and property, plant and equipment and the amortisation of non-operating intangibles net of any tax benefit. Adjusted earnings per share increased by 4% from 52.9p to 54.9p.

The interim dividend was increased by 4% to 6.75p and a final dividend has been proposed at 13.5p 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 £107m and will be charged next year. The dividend is covered 2.7 times on an adjusted basis.

BALANCE SHEET

Non-current assets increased by £652m to £5,371m including £3,110m of property, plant and equipment. The increase was driven by acquisitions which added £209m and capital expenditure of £502m. Working capital increased by £340m primarily due to considerably higher inventory values as a result of the substantial increases in commodity costs. Net borrowings at the year end were £480m higher than last year at £791m.

A currency gain of £302m arose on the translation into sterling of the group's foreign currency denominated net assets. This resulted from the fact that sterling was weaker against all major currencies at the end of this year than at the end of the previous year. The group's net assets increased by £380m to £4,844m.

Return on capital employed for the group fell from 18.8% to 16.6%. This is largely a consequence of the substantial level of investment made this year in expenditure on a number of long-term capital projects which have yet to yield a return but also the lower profitability of the European sugar businesses. Return on capital employed is defined as operating profit before exceptional items and the amortisation of non-operating intangibles expressed as a percentage of average capital employed for the year.

CASH FLOW

Net cash flow from operating activities was £553m compared with £696m last year. This reduction mainly reflects an adverse working capital movement year-on-year of £165m, moving from an inflow of £55m last year to an outflow of £110m this year, the major driver being the increase in commodity prices.

We continued to invest strongly in the future growth of the group with a net £710m spent on property, plant and equipment, intangibles and acquisitions during the year. £70m was spent on intangible assets of which £49m related to the purchase of sugar quota negotiated in 2006. Capital expenditure amounted to £502m of which £152m was spent on the acquisition of new stores and the refitting of existing Primark stores. Elsewhere expenditure was incurred in developing our sugar interests in China and southern Africa and building or upgrading manufacturing facilities across the group, including capacity expansion at the enzymes plant in Finland and yeast and yeast extract production in China.

£224m was spent on acquisitions including beet sugar factories in north east China, the European assets of Gilde Bakery Ingredients, the KR Castlemaine meat business in Australia and a number of small businesses to complement our Agriculture operations. £59m was realised on business disposals, primarily the German yeast business, resulting in a net cash outflow on acquisitions and disposals of £165m.

FINANCING

Cash and cash equivalents totalled £348m at the year end and were managed during the year 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 and wheat harvests.

At the year end the group had total committed banking facilities amounting to £1,107m of which £888m was drawn down. £715m of these facilities expire in October 2011, with the remainder maturing in 2013 and 2015. In anticipation of further investment and to accommodate the seasonal build of working capital at the half year, further committed facilities were secured shortly after the year end. A £320m syndicated loan expiring in October 2011 has been provided by members of our existing banking group resulting in headroom on total committed facilities of £539m in addition to available cash resources. The group also had access, at the year end, to £584m of uncommitted credit lines under which £246m was drawn.

PENSIONS

Pensions are accounted for in accordance with IAS 19 – employee benefits. The total pension expense for the year was £62m compared with £71m last year.

On an IAS 19 basis, the net surplus (employee benefit assets less liabilities) in the group's defined benefit pension schemes reduced from £276m last year to £61m this year mainly as a result of an increase in scheme liabilities, as a consequence of higher forecast inflation, and an adjustment to the mortality assumptions to reflect experience to date and further improvements in life expectancy of scheme members.

Following the merger of the British Sugar and Associated British Foods pension schemes in April 2006, the company agreed with the Pension Trustees to make two payments of £14.5m to eliminate the funding deficit, at that date, in the British Sugar section of the newly merged scheme. The second payment was made in October 2007. Total contributions to defined benefit plans in the year amounted to £54m (2007 - £61m).

For defined contribution schemes the charge for the year is equal to the contributions made which amounted to £26m (2007 - £24m).

FINANCIAL REPORTING STANDARDS AND ACCOUNTING POLICIES

IFRS 7 – Financial instruments: disclosures, has been adopted this year. No other changes to financial reporting standards have a material impact on the group accounts.

POST BALANCE SHEET EVENTS

On 28 October 2008 we announced the creation of Stratas Foods, a joint venture with Archer Daniels Midland Company ("ADM") for the manufacture, marketing and distribution of packaged oil products in the US and Canada. ABF and ADM will each hold a 50% share in the joint venture which will be headquartered in Memphis, Tennessee.

ABF will contribute US\$38m of assets from the ACH oils business, primarily in the form of trademarks, whilst ADM will contribute packaging equipment at four of its facilities in the US. The business contributed by ABF generated operating profit of US\$20m in the year ended 15 September 2007.

John Bason
Finance Director

The annual report and accounts is available at www.abf.co.uk and will be despatched to shareholders on 6 November 2008. The annual general meeting will be held at Congress Centre, 28 Great Russell Street, London. WC1B 3LS at 11am on Friday, 5 December 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal corporate risks as identified by each business and noted by the board are currently:

1. Food safety

The group derives over 55% of its turnover from the production and sale of food and has a positive role to play in contributing to the quality of people's lives by providing wholesome and nutritious foods, food ingredients and animal feedstuffs. Sugar, tea, flour, bread, cereals, meat and dairy products are part of people's daily lives all over the world and the group plays an important part in making sure these are produced efficiently and to a high quality.

To manage food safety risks, sites operate food safety systems which are regularly reviewed to ensure they remain effective, including compliance with all regulatory requirements for hygiene and food safety. The group's food products are made to high standards regardless of where they are manufactured. Food safety is always put before economic considerations.

2. Supply chain labour standards

Those businesses with global supply chains are at greater risk of controversy relating to breaches, by suppliers, of the International Labour Organisation core labour standards. Since the group uses extensive global supply chains, it takes all reasonable steps to mitigate the risk of damage to its reputation in the case of any breaches by striving to ensure that it does not buy from factories with poor working conditions. Examples of such steps include:

- Primark has been working within its supply chains for several years prior to making its commitment public by joining the Ethical Trading Initiative (ETI) (www.ethicaltrade.org) in May 2006.

Primark defined its Ethical Trade Strategy in 2006 and in 2008 entered the second phase of its implementation, which will ensure that factories making 80% of all purchases are assessed.

Audits are conducted by Primark's own regionally-based Ethical Managers and third party specialist auditors. 38% of its initial audits to date have been unannounced and the rest take place within a pre-agreed window. Over 135,000 workers employed in suppliers' factories have had their working conditions assessed, and improved where necessary.

After the initial audit Primark's Ethical Managers work with suppliers to support them through remediation. Training is offered to suppliers and their garment makers on particular issues and best practice, at regular intervals. Follow-up audits are conducted after three months from the initial audit. Over the last year Primark achieved a 75% improvement rate on the first re-inspection.

Primark has to report on its activity annually to the ETI and had encouraging feedback on its latest annual report.

Many of Primark's suppliers also manufacture for its competitors. People working in these factories are paid the same weekly wage irrespective of the customer on whose behalf they are working.

All new suppliers are risk assessed prior to the supplying of their initial orders to Primark.

Primark recognises that shared learning and collaboration is one of the most successful ways to achieve sustained positive progression with its suppliers' factories. Primark participates in the ETI – Supported National Homeworkers Group in India and is one of the founder members of the Wages Group.

- AB Agri is involved in WildCare, a wildlife habitat scheme for dairy farms supplying Waitrose's Select Farm milk. Working with Dairy Crest, the Wildlife Trusts and the Waitrose Select Farm milk pool, the scheme encourages farmers to develop and protect habitat

suitable for wildlife. AB Agri employs auditors to carry out annual audits to monitor the species found on participating farms, paying particular attention to those highlighted in the relevant county Biodiversity Action Plans. These specialist auditors then develop action plans to help farmers improve habitats.

- Twinings is a member of the Ethical Tea Partnership which requires its suppliers and subcontractors to meet the International Labour Organisation core labour standards, respecting an observance of human rights and fundamental freedoms without discrimination as to race, sex, language or religion.
- Illovo, British Sugar and Allied Bakeries operate a comprehensive set of policies and standards to cover all aspects of their operations, including supply chain labour standards. Performance is measured on a regular basis by means of self-assessments and audits by independent consultants.

Many businesses within the group do not rely upon third parties to source their products. However, those that do have ethical sourcing policies in line with the group's Corporate Citizenship principles and the requirements of their customers.

3. Competition rules

The penalties for failing to comply with the 1998 Competition Act, the 2003 Enterprise Act, relevant EU law and all relevant competition legislation are recognised as risks to be managed. Clear policy direction, which includes compulsory awareness training and close support from the in-house legal department, has reduced the likelihood of the group breaching these regulations.

4. Environment

The group recognises the impact that its businesses have on the environment. Therefore, as a minimum, it aims to comply with current applicable legislation of the countries in which it operates and its operations are conducted with a view to ensuring that:

- emissions to air, releases to water and land filling of solid wastes do not cause unacceptable environmental impacts and do not offend the community;
- significant plant and process changes are assessed and positively authorised in advance to prevent adverse environmental impacts;
- energy is used efficiently and consumption is monitored;
- natural resources are used efficiently;
- raw material waste is minimised;
- solid waste is reduced, reused or recycled where practicable;
- the amount of packaging used for group products is minimised, consistent with requirements for food safety and product protection;
- products are transported efficiently to minimise fuel usage, consistent with customers' demands, production arrangements and vehicle fleet operations;
- accidents are prevented so far as is reasonably practical; and
- effective emergency response procedures are in place to minimise the impact of foreseeable incidents.

Particular attention is given to recently acquired businesses to ensure that they operate in accordance with the standards expected.

The principal environmental risk is the use of energy and the resultant emissions of carbon dioxide, a gas involved in climate change. The efficient use of energy is a major element of our environmental policy. Indeed, all sites which are subject to the EU's Pollution Prevention and Control regime are also under a statutory requirement to minimise energy consumption by use of best available techniques.

Manufacturing operations in the UK participate in the UK Government's Climate Change Agreement Scheme in which energy intensive businesses receive an 80% discount from the Climate Change Levy in return for meeting energy efficiency or carbon saving targets. The sugar sites in the UK and

Poland participate in the EU Emissions Trading Scheme. These schemes allow the sites to reduce energy consumption and therefore reduce emissions of carbon dioxide cost-effectively.

In addition to the consumption of energy the group generates surplus electricity from highly efficient Combined Heat and Power (CHP) schemes and sells this electricity to other companies. All UK CHP schemes participate in the UK Government's CHP quality assurance scheme and qualify for a full exemption from the UK's Climate Change Levy.

Carbon dioxide is emitted both directly from the combustion of fossil fuels at the group's sites to create steam, heat and electricity, and indirectly by the power stations from which the group buys its electricity. The use of bagasse (sugar cane fibre which is a renewable resource and hence carbon neutral) as a fuel in the cane factories eliminates the need to use coal and other fossil fuels to provide energy to our boilers.

Other significant environmental risks include handling and disposal of waste and the treatment of waste water. The principal legal risk is regulatory action against the group for non-compliance with licence conditions and statutory requirements. All the group's businesses have named, accountable, senior executives and responsible managers and the management of the physical and legal risks, for which they employ specialists, is included in their annual objectives.

The group employs Environmental Resources Management Limited (ERM) to continue its rolling programme of audits of the management of environmental risks at a representative range of group companies. The sites audited are selected on the basis of materiality with regard to the range of issues as well as the contribution to the health, safety and environment performance of the group as a whole. ERM also carry out a sample data verification process on the group's data to check completeness and accuracy. Each year the board reviews the verified results and provides strategic direction. Businesses are required to develop action plans as appropriate and progress is monitored by the group health and safety manager.

The group publishes details of its environmental performance in a separate report on its website: www.abf.co.uk/csr

5. Health and safety

The group is committed to providing a safe and healthy workplace in line with local regulations to protect all employees, visitors and the public insofar as they come into contact with foreseeable work hazards. The group considers health and safety as equal in importance to that of any other of its functions and its business objectives. It requires its businesses to build a culture of sustained improvement.

People's health and safety at work is a prime responsibility for all those who manage and supervise. All employees and those working on behalf of the group have a responsibility for the health and safety of themselves and others who may be affected by their actions. The group ensures that they are well informed, appropriately trained and are consulted on matters affecting their health and safety.

The principal health and safety risks relate to the potential for serious injuries, fatal accidents and regulatory action for non-compliance with statutory requirements.

As with environmental risks, all the group's businesses have named accountable senior executives who employ specialists to manage these risks, and the management of these risks forms part of their annual objectives.

The group employs ERM to audit a representative sample of its operations to understand how companies manage their risks and to verify the data. Businesses are required to develop action plans as appropriate and progress is monitored by the group health and safety manager.

The group publishes details of its safety performance in a separate report on its website: www.abf.co.uk/csr

6. People

The group's performance targets require it to have the right calibre of people at all levels. It must compete to obtain capable recruits for the businesses, and then train them in the skills and competencies that are needed to deliver profitable growth. At a time of substantial change in the businesses, there is a particular focus on creating alignment and energetic leadership.

7. Financial and commodity risks

Treasury operations are conducted within a framework of board-approved policies and guidelines to manage the group's financial and commodity risks. Financial risks essentially arise through exposure to foreign currencies, interest rates, counterparty credit and borrowing facilities. Commodity risks arise from the procurement of raw materials and the exposure to changes in market prices. Liquidity risk arises from the availability of internal and external funding to enable the group to meet its financial obligations as and when they fall due.

Details of the group's accounting and risk management policies with respect to financial instruments and the associated quantitative and qualitative disclosures are set out in note 25 of the annual report.

8. Taxation risks

Tax benefits are not recognised unless it is probable that the position taken is sustainable. Management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Any interest and penalties on tax liabilities are provided for in the tax charge.

The group operates internationally and is subject to tax in many different jurisdictions. As a consequence, the group is routinely subject to tax audit and local enquiries which, by their very nature, can take a considerable period to conclude. Provision is made for known issues based on management's interpretation of country specific tax law and the likely outcome.

9. Loss of a major site

The group operates from many key sites the loss of which, for example as a result of fire, would present significant operational difficulties. Our operations have business continuity plans in place to manage the impact of such an event and group insurance programmes to mitigate the financial consequences.

10. Regulatory and political environment

The group is subject to a wide variety of regulations in the different countries in which it operates because of the diverse nature of its businesses. It may also be affected by political developments in the countries in which it operates. It considers these uncertainties in the external environment when developing strategy and reviewing performance, remaining vigilant to future changes. The group engages with governmental and non-governmental organisations to ensure the views of its stakeholders are represented and tries to anticipate and contribute to important changes in public policy wherever it operates.

CAUTIONARY STATEMENTS

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation taken as a whole; and

Pursuant to Disclosure and Transparency Rules, Chapter 4, the following sections of the Company's annual report contain a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face:

1. The Chairman's statement on pages 4 and 5;
2. Operating review on pages 6 to 15 which includes a review of the external environment, key strategic aims and performance measures;
3. Financial review on pages 16 and 17;
4. Directors' report: 'Research and development';
5. Directors' report: 'Financial instruments';
6. Directors' report: 'Property, plant and equipment'; and
7. Directors' report: 'Power of directors'

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 13 September 2008 which can be found at www.abf.co.uk and will be despatched to shareholders on 6 November 2008. Accordingly the responsibility statement makes reference to the financial statements of the Company and the group and to the relevant narratives appearing in that annual report and accounts rather than the contents of this announcement.

Martin Adamson
Chairman

George Weston
Chief Executive

John Bason
Finance Director

On behalf of the board

4 November 2008

CONSOLIDATED INCOME STATEMENT
for the year ended 13 September 2008

		Before exceptional items 2008 £m	Exceptional items' 2008 £m	Total 2008 £m	2007 £m
Continuing operations					
Revenue	1	8,235	-	8,235	6,800
Operating costs before exceptional items		(7,660)	-	(7,660)	(6,262)
Exceptional items		-	(46)	(46)	-
		575	(46)	529	538
Share of profit after tax from joint ventures and associates		15	-	15	10
Profits less losses on sale of property, plant & equipment		10	-	10	8
Operating profit		600	(46)	554	556
Adjusted operating profit	1	664	-	664	622
Profits less losses on sale of property, plant & equipment		10	-	10	8
Amortisation of non-operating intangibles		(74)	-	(74)	(74)
Exceptional items		-	(46)	(46)	-
Profits less losses on sale of businesses		5	-	5	(39)
Profit before interest		605	(46)	559	517
Finance income		21	-	21	20
Finance expense		(74)	-	(74)	(55)
Other financial income		21	-	21	26
Profit before taxation		573	(46)	527	508
Adjusted profit before taxation		632	-	632	613
Profits less losses on sale of property, plant & equipment		10	-	10	8
Amortisation of non-operating intangibles		(74)	-	(74)	(74)
Exceptional items		-	(46)	(46)	-
Profits less losses on sale of businesses		5	-	5	(39)
Taxation: - UK (excluding tax on exceptional items)		(50)	-	(50)	(46)
- UK (on exceptional items)		-	(14)	(14)	-
- Overseas (excluding tax on exceptional items)		(92)	-	(92)	(62)
- Overseas (on exceptional items)		-	20	20	-
	2	(142)	6	(136)	(108)
Profit for the period		431	(40)	391	400
Attributable to					
Equity shareholders		397	(40)	357	369
Minority interests		34	-	34	31
Profit for the period		431	(40)	391	400
Basic and diluted earnings per ordinary share (pence)	4			45.2	46.7
Dividends per share paid and proposed for the year (pence)	3			20.25	19.50

¹ Refer to note 5

CONSOLIDATED BALANCE SHEET
at 13 September 2008

	2008	2007
	£m	£m
Non-current assets		
Intangible assets	1,815	1,570
Property, plant & equipment	3,110	2,642
Biological assets	66	48
Investments in joint ventures	75	46
Investments in associates	23	33
Employee benefits assets	106	308
Deferred tax assets	101	70
Other receivables	75	2
Total non-current assets	<u>5,371</u>	<u>4,719</u>
Current assets		
Assets classified as held for sale	19	48
Inventories	1,042	765
Biological assets	80	53
Trade and other receivables	1,228	967
Other financial assets	63	17
Cash and cash equivalents	348	411
Total current assets	<u>2,780</u>	<u>2,261</u>
TOTAL ASSETS	<u>8,151</u>	<u>6,980</u>
Current liabilities		
Liabilities classified as held for sale	-	(7)
Interest-bearing loans and overdrafts	(278)	(125)
Trade and other payables	(1,365)	(1,167)
Other financial liabilities	(25)	(26)
Income tax	(89)	(82)
Provisions	(85)	(36)
Total current liabilities	<u>(1,842)</u>	<u>(1,443)</u>
Non-current liabilities		
Interest-bearing loans	(870)	(598)
Provisions	(101)	(14)
Deferred tax liabilities	(449)	(430)
Employee benefits liabilities	(45)	(31)
Total non-current liabilities	<u>(1,465)</u>	<u>(1,073)</u>
TOTAL LIABILITIES	<u>(3,307)</u>	<u>(2,516)</u>
NET ASSETS	<u>4,844</u>	<u>4,464</u>
Equity		
Issued capital	47	47
Other reserves	173	173
Translation reserve	221	(49)
Hedging reserve	25	(1)
Retained earnings	4,088	4,074
	<u>4,554</u>	<u>4,244</u>
Minority interests	290	220
TOTAL EQUITY	<u>4,844</u>	<u>4,464</u>

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 13 September 2008

	2008	2007
	£m	£m
Cash flow from operating activities		
Profit before taxation	527	508
Profits less losses on sale of property, plant & equipment	(10)	(8)
Profits less losses on sale of businesses	(5)	39
Exceptional items	46	-
Finance income	(21)	(20)
Finance expense	74	55
Other financial income	(21)	(26)
Share of profit from joint ventures and associates	(15)	(10)
Amortisation	76	79
Depreciation	234	214
Change in the fair value of biological assets	(84)	(59)
Share-based payment expense	5	6
Pension costs less contributions	(18)	(14)
Increase in inventories	(103)	(38)
Increase in receivables	(156)	(58)
Increase in payables	149	151
Purchases less sales of current biological assets	(9)	-
Decrease in provisions	(6)	(17)
Cash generated from operations	663	802
Income taxes paid	(110)	(106)
Net cash from operating activities	553	696
Cash flows from investing activities		
Dividends received from joint ventures	1	1
Dividends received from associates	1	2
Purchase of property, plant & equipment	(502)	(420)
Purchase of intangibles	(70)	(7)
Purchase of non-current biological assets	(3)	-
Sale of property, plant & equipment	30	30
Purchase of subsidiaries, joint ventures and associates	(211)	(150)
Sale of subsidiaries, joint ventures and associates	59	58
Purchase of minority interests	(10)	-
Purchase of other investments	(3)	-
Interest received	19	20
Net cash from investing activities	(689)	(466)
Cash flows from financing activities		
Dividends paid to minorities	(21)	(26)
Dividends paid to shareholders	(156)	(150)
Interest paid	(74)	(58)
(Increase)/decrease in other current investments	(7)	52
Financing:		
Increase/(decrease) in short-term loans	59	(307)
Increase in long-term loans	182	417
Movements from changes in own shares held	(3)	(9)
Net cash from financing activities	(20)	(81)
Net (decrease)/ increase in cash and cash equivalents	(156)	149
Cash and cash equivalents at the beginning of the period	349	198
Effect of movements in foreign exchange	17	2
Cash and cash equivalents at the end of the period	210	349

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 13 September 2008

	2008	2007
	£m	£m
Actuarial (losses)/gains on defined benefit schemes	(254)	110
Deferred tax associated with defined benefit schemes	71	(25)
Effect of movements in foreign exchange	360	(32)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	(58)	4
Deferred tax associated with movements in foreign exchange	(3)	-
Movement in cash flow hedging position	34	7
Deferred tax associated with movement in cash flow hedging position	(7)	(2)
Share of recognised income and expense of joint ventures and associates	(1)	-
Net gain recognised directly in equity	142	62
Profit for the period	391	400
Total recognised income and expense for the period	533	462
Attributable to:		
Equity shareholders	466	439
Minority interests	67	23
	533	462

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT for the year ended 13 September 2008

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

Geographical 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

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

	Revenue		Adjusted operating profit	
	2008	2007	2008	2007
	£m	£m	£m	£m
Grocery	3,254	2,605	194	153
Sugar	1,267	1,151	153	199
Agriculture	867	645	33	18
Ingredients	842	698	75	71
Retail	1,933	1,602	233	200
Central	-	-	(28)	(26)
	8,163	6,701	660	615
Businesses disposed:				
Grocery	-	7	-	-
Agriculture	42	42	1	-
Ingredients	30	50	3	7
	72	99	4	7
	8,235	6,800	664	622
Geographical segments				
United Kingdom	3,766	3,176	309	254
Europe, Middle East & Africa	1,489	1,219	159	155
The Americas	1,312	1,142	102	113
Asia Pacific	1,596	1,164	90	93
	8,163	6,701	660	615
Businesses disposed:				
United Kingdom	42	40	2	1
Europe, Middle East & Africa	30	39	2	3
The Americas	-	20	-	3
	72	99	4	7
	8,235	6,800	664	622

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued for the year ended 13 September 2008

1 Segmental analysis for the 52 weeks ended 13 September 2008

Business segments	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Elimina- tions £m	Total £m
Revenue from continuing businesses	3,267	1,359	870	879	1,933	-	(145)	8,163
Businesses disposed	-	-	42	35	-	-	(5)	72
Internal revenue	(13)	(92)	(3)	(42)	-	-	150	-
Revenue from external customers	3,254	1,267	909	872	1,933	-	-	8,235
Adjusted operating profit from continuing businesses	194	153	33	75	233	(28)	-	660
Businesses disposed	-	-	1	3	-	-	-	4
Adjusted operating profit	194	153	34	78	233	(28)	-	664
Exceptional items	(61)	25	-	(10)	-	-	-	(46)
Amortisation of non-operating intangibles	(22)	(24)	-	(28)	-	-	-	(74)
Profits less losses on sale of property, plant & equipment	2	1	-	4	3	-	-	10
Profits less losses on sale of businesses	-	-	1	4	-	-	-	5
Profit before finance income, finance expense, other financial income and taxation	113	155	35	48	236	(28)	-	559
Finance income	-	-	-	-	-	21	-	21
Finance expense	-	-	-	-	-	(74)	-	(74)
Other financial income	-	-	-	-	-	21	-	21
Taxation	-	-	-	-	-	(136)	-	(136)
Profit for the period	113	155	35	48	236	(196)	-	391
Segment assets (excluding investments in associates and joint ventures)	2,415	2,072	213	1,146	1,628	15	-	7,489
Investments in associates and joint ventures	12	31	40	15	-	-	-	98
Segment assets	2,427	2,103	253	1,161	1,628	15	-	7,587
Cash and cash equivalents	-	-	-	-	-	348	-	348
Employee benefits assets	-	-	-	-	-	106	-	106
Deferred tax assets	-	-	-	-	-	101	-	101
Other current investments	-	-	-	-	-	9	-	9
Segment liabilities	(525)	(404)	(89)	(149)	(266)	(143)	-	(1,576)
Interest-bearing loans and overdrafts	-	-	-	-	-	(1,148)	-	(1,148)
Income tax	-	-	-	-	-	(89)	-	(89)
Deferred tax liabilities	-	-	-	-	-	(449)	-	(449)
Employee benefits liabilities	-	-	-	-	-	(45)	-	(45)
Net assets	1,902	1,699	164	1,012	1,362	(1,295)	-	4,844
Capital additions	90	194	10	54	140	6	-	494
Depreciation	81	55	7	27	64	-	-	234
Impairment of PP&E	17	2	-	3	-	-	-	22
Amortisation	24	24	-	28	-	-	-	76

Geographical segments

	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Elimina- tions £m	Total £m
Revenue from external customers	3,808	1,519	1,312	1,596	-	8,235
Segment assets	3,334	1,947	1,090	1,216	-	7,587
Capital additions	129	243	29	93	-	494
Depreciation	131	40	22	41	-	234
Impairment of PP&E	-	2	3	17	-	22
Amortisation	10	32	24	10	-	76

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued for the year ended 13 September 2008

1 Segmental analysis for the 52 weeks ended 15 September 2007

Business segments	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Elimina- tions £m	Total £m
Revenue from continuing businesses	2,616	1,250	647	741	1,602	-	(155)	6,701
Businesses disposed	7	-	42	54	-	-	(4)	99
Internal revenue	(11)	(99)	(2)	(47)	-	-	159	-
Revenue from external customers	2,612	1,151	687	748	1,602	-	-	6,800
Adjusted operating profit from continuing businesses	153	199	18	71	200	(26)	-	615
Businesses disposed	-	-	-	7	-	-	-	7
Adjusted operating profit	153	199	18	78	200	(26)	-	622
Amortisation of non-operating intangibles	(14)	(32)	-	(28)	-	-	-	(74)
Profits less losses on sale of property, plant & equipment	-	-	-	-	8	-	-	8
Profits less losses on sale of businesses	7	-	1	(40)	(7)	-	-	(39)
Profit before finance income, finance expense, other financial income and taxation	146	167	19	10	201	(26)	-	517
Finance income	-	-	-	-	-	20	-	20
Finance expense	-	-	-	-	-	(55)	-	(55)
Other financial income	-	-	-	-	-	26	-	26
Taxation	-	-	-	-	-	(108)	-	(108)
Profit for the period	146	167	19	10	201	(143)	-	400
Segment assets (excluding investments in associates and joint ventures)	1,949	1,609	172	924	1,436	21	-	6,111
Investments in associates and joint ventures	25	10	31	13	-	-	-	79
Segment assets	1,974	1,619	203	937	1,436	21	-	6,190
Cash and cash equivalents	-	-	-	-	-	411	-	411
Employee benefits assets	-	-	-	-	-	308	-	308
Deferred tax assets	-	-	-	-	-	70	-	70
Other current investments	-	-	-	-	-	1	-	1
Segment liabilities	(391)	(427)	(56)	(119)	(217)	(35)	-	(1,245)
Interest-bearing loans and overdrafts	-	-	-	-	-	(723)	-	(723)
Income tax	-	-	-	-	-	(82)	-	(82)
Deferred tax liabilities	-	-	-	-	-	(434)	-	(434)
Employee benefits liabilities	-	-	-	-	-	(32)	-	(32)
Net assets	1,583	1,192	147	818	1,219	(495)	-	4,464
Capital additions	85	113	6	44	139	-	-	387
Depreciation	75	52	7	24	56	-	-	214
Amortisation	14	37	-	28	-	-	-	79

Geographical segments

	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Elimina- tions £m	Total £m
Revenue from external customers	3,216	1,258	1,162	1,164	-	6,800
Segment assets	2,858	1,601	905	826	-	6,190
Capital additions	230	79	37	41	-	387
Depreciation	124	33	23	34	-	214
Amortisation	10	39	25	5	-	79

**NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued
for the year ended 13 September 2008**

2. Income tax expense

	2008	2007
	£m	£m
Current tax expense		
UK – corporation tax at 29.1% (2007: 30%)	41	37
Overseas – corporation tax	73	71
Under/(over)-provided in prior years	2	(7)
	116	101
Deferred tax expense		
UK deferred tax	28	14
Overseas deferred tax	(9)	(12)
Under-provided in prior years	1	5
Total income tax expense in income statement	136	108
Reconciliation of effective tax rate		
Profit before taxation	527	508
Less share of profit from joint ventures and associates	(15)	(10)
Profit before taxation excluding share of profit from joint ventures and associates	512	498
Nominal tax charge at UK corporation tax rate of 29.1% (2007: 30%)	149	149
Lower tax rates on overseas earnings	(38)	(46)
Expenses not deductible for tax purposes	12	7
Utilisation of losses	(10)	-
Deferred tax not recognised	3	-
Abolition of UK Industrial Buildings Allowances	17	-
Adjustments in respect of prior periods	3	(2)
	136	108
Income tax recognised directly in equity		
Deferred tax associated with actuarial gains and losses on defined benefit schemes	(71)	25
Deferred tax associated with movement in cash flow hedging position	7	2
Deferred tax associated with movements in foreign exchange	3	1
	(61)	28

3. Dividends

	2008	2007	2008	2007
	pence	pence	£m	£m
Per share				
2006 final	-	12.50	-	99
2007 interim	-	6.50	-	51
2007 final	13.00	-	103	-
2008 interim	6.75	-	53	-
	19.75	19.00	156	150

The 2008 interim dividend was declared on 22 April 2008 and paid on 3 July 2008. The 2008 final dividend of 13.5p, total value of £107m, will be paid on 9 January 2009 to shareholders on the register on 5 December 2008.

Dividends relating to the period were 20.25p per share totalling £160m (2007 – 19.50p per share totalling £154m).

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued
for the year ended 13 September 2008

4. Earnings per share

The calculation of basic earnings per share at 13 September 2008 was based on the net profit attributable to equity shareholders of £357m (2007 - £369m), and a weighted average number of shares outstanding during the year of 790 million (2007 – 790 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 of property, plant & equipment and businesses, amortisation of non-operating intangibles, 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 (2007 – 790 million). There is no difference between basic and diluted earnings.

	2008	2007
	£m	£m
Adjusted profit for the period	434	418
Profits less losses on sale of property, plant & equipment	10	8
Profits less losses on sale of businesses	5	(39)
Exceptional items	(46)	-
Exceptional tax item and tax effect on above	(3)	15
Amortisation of non-operating intangibles	(74)	(74)
Tax credit on non-operating intangibles amortisation and goodwill	21	30
Minority share of amortisation of non-operating intangibles net of tax	10	11
Profit for the period attributable to equity shareholders	357	369
	2008	2007
	pence	pence
Adjusted earnings per share	54.9	52.9
Sale of property, plant & equipment	1.3	1.0
Sale of businesses	0.6	(4.9)
Exceptional items	(5.8)	-
Exceptional tax item and tax effect on above	(0.4)	1.9
Amortisation of non-operating intangibles	(9.4)	(9.4)
Tax credit on non-operating intangibles amortisation and goodwill	2.7	3.8
Minority share of amortisation of non-operating intangibles net of tax	1.3	1.4
Earnings per ordinary share	45.2	46.7

5. Exceptional items

An exceptional credit of £25m arose in British Sugar following acceptance of its application to renounce permanently 206,000 tonnes of UK and Polish sugar quota. The credit comprises compensation receivable less factory closure costs and the write-off of the unamortised cost of quota purchased in 2006.

An exceptional charge of £71m has been made for the cost of business restructuring, principally the Australian meat and dairy business following the acquisition of KR Castlemaine. These costs comprise severance costs, impairment of property, plant & equipment and other closure costs.

A tax credit of £23m arises on the above exceptional items. Following a change in tax law in the UK Finance Act 2008, Industrial Buildings Allowances are to be phased out. An exceptional tax charge of £17m reflects the consequential increase in the group's deferred tax liability.

**NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued
for the year ended 13 September 2008**

6. Acquisitions and disposal

Acquisitions

During the period the group completed the merger of Ryvita and Jordans and the acquisition of certain European assets of Gilde Bakery Ingredients, 11 beet sugar factories in north east China and the KR Castlemaine meat and smallgoods business in Australia. The group also completed a number of other small acquisitions. Costs associated with these acquisitions are included within cash consideration.

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

	Pre-acquisition carrying amounts £m	Recognised values on acquisition £m
Net assets		
Intangible assets	20	101
Property, plant & equipment	142	108
Inventories	54	56
Trade and other receivables	40	40
Cash and cash equivalents	4	4
Trade and other payables	(49)	(49)
Overdrafts	(1)	(1)
Interest-bearing loans and borrowings	(32)	(32)
Taxation	(1)	(21)
Employee benefits	(2)	(2)
Provisions	(2)	(2)
Net identifiable assets and liabilities	173	202
Goodwill on acquisitions		128
Minority interests acquired		(5)
Total consideration		325
Satisfied by		
Cash consideration		189
Deferred consideration		97
Interests in subsidiaries		24
Interest in associate		15
Net cash		
Cash consideration		189
Cash/overdraft acquired		(3)
Cash consideration in respect of prior year acquisitions		6
		192

There were no material differences between pre-acquisition carrying amounts and amounts recognised on acquisition, which include fair value adjustments to the assets and liabilities acquired, with the exception of £81m of intangibles recognised, a £34m downward adjustment to property, plant & equipment, a £20m adjustment to deferred tax, and a £2m revaluation of inventories.

Goodwill arising on the acquisitions is attributable to the anticipated profitability from the sale of the group's existing products in new markets, and the anticipated future technological and operational synergies from the combinations.

The acquisitions in aggregate contributed revenue of £221m and profit before tax of £nil for the periods between the dates of acquisition and 13 September 2008. Aggregate contributions to revenue and profit before tax had the acquisitions occurred at the beginning of the period have not been disclosed, as appropriately consolidated financial information prepared under Adopted IFRS is not available.

**NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued
for the year ended 13 September 2008**

6. Acquisitions and disposals continued

Acquisition of W. Jordan & Son (Silo) Limited (“Jordans”)

The merger of Ryvita and Jordans was completed on 29 August 2008. The acquired company contributed no net profit to the consolidated net profit for the year. The contribution to consolidated revenues and net profit had the acquisition occurred at the beginning of the year has not been disclosed, as it would be impractical to determine these amounts. This is because (i) as a privately-held group, Jordans prepared its consolidated financial statements under United Kingdom accounting standards, which are substantively different to Adopted IFRS; (ii) Jordans had a different year end to the group (29 February); and (iii) the last available consolidated financial statements are for the year ended 29 February 2008, all of which is insufficient to determine accurately the fair value adjustments that would have been made to the balance sheet one year ago.

A summary of Jordans' reported results for its most recent full year are shown below:

	£m
Income statement for the year ended 29 February 2008	
Revenue	86
Cost of sales	(60)
Gross profit	26
Distribution expenses	(14)
Administrative expenses	(5)
Operating profit	7
Interest payable	-
Profit before taxation	7
Taxation	(2)
Profit after taxation	5

Disposals

During the year, the group disposed of its existing German yeast business, a small UK-based emulsifier business and its interests in a number of other small businesses. Costs associated with these disposals are included within cash consideration.

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

	Carrying values 2008 £m	Carrying values 2007 £m
Net assets		
Intangible assets	15	3
Property, plant & equipment	17	24
Investments in joint ventures and associates	-	15
Inventories	3	16
Trade and other receivables	5	15
Cash and cash equivalents	-	8
Trade and other payables	(3)	(10)
Interest-bearing loans and borrowings	-	(5)
Intercompany receivables/(payables)	1	3
Taxation	(5)	(3)
Employee benefits	(1)	(1)
Net identifiable assets and liabilities	32	65
Goodwill disposed	21	27
Recycle of effect of movements in foreign exchange	1	2
Provisions created	-	11
Profit/(loss) on disposal	5	(39)
Total consideration	59	66
Satisfied by		
Cash consideration	59	66
Net cash		
Cash consideration	59	66
Cash disposed	-	(8)
	59	58

**NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT continued
for the year ended 13 September 2008**

7. Analysis of net debt

	At 15 September 2007 £m	Cash flow £m	Acquisitions/ disposals £m	Exchange adjustments £m	At 13 September 2008 £m
Cash at bank and in hand, cash equivalents and overdrafts	349	(156)	-	17	210
Short-term borrowings	(63)	(59)	(8)	(10)	(140)
Other current Investments	1	7	-	1	9
Loans over one year	(598)	(182)	(24)	(66)	(870)
	(311)	(390)	(32)	(58)	(791)

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.

8. Total equity

Reconciliation of movement in capital and reserves

	Attributable to equity shareholders						Minority interests £m	Total equity £m
	Share Capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m		
At 16 September 2006	47	173	(29)	(6)	3,773	3,958	224	4,182
Total recognised income and expense for the period	-	-	(20)	5	454	439	23	462
Dividends paid to shareholders	-	-	-	-	(150)	(150)	-	(150)
Net increase in own shares held	-	-	-	-	(3)	(3)	-	(3)
Minority interests acquired/disposed	-	-	-	-	-	-	(1)	(1)
Dividends paid to minorities	-	-	-	-	-	-	(26)	(26)
At 15 September 2007	47	173	(49)	(1)	4,074	4,244	220	4,464
Total recognised income and expense for the period	-	-	270	26	170	466	67	533
Dividends paid to shareholders	-	-	-	-	(156)	(156)	-	(156)
Net decrease in own shares held	-	-	-	-	3	3	-	3
Minority interests acquired/disposed	-	-	-	-	-	-	24	24
Dividends paid to minorities	-	-	-	-	-	-	(21)	(21)
Changes in fair value of minority interests on acquisition	-	-	-	-	(3)	(3)	-	(3)
At 13 September 2008	47	173	221	25	4,088	4,554	290	4,844

9. Related parties

The group has a controlling related party relationship with its parent company, Wittington Investments Limited, which is also its ultimate parent company. The group also has a related party relationship with its associates and joint ventures and with its directors. In the course of normal operations, related party transactions entered into by the group have been contracted on an arm's-length basis.

Material transactions and year end balances with related parties were as follows:

	Sub note	2008 £'000	2007 £'000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		271	162
Dividends paid by ABF and received in a beneficial capacity by:			
(i) Trustees of the Garfield Weston Foundation	1	6,063	5,220
(ii) Directors of Wittington Investments Limited who are not trustees of the Foundation		780	753
(iii) Directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited		15	13
(iv) a member of the Weston family employed within ABF group	2	576	553
Sales to fellow subsidiary undertakings on normal trading terms	3	2,438	2,382
Sales to a company with common key management personnel	4	3,551	3,120
Amounts due from fellow subsidiary undertakings on normal trading terms	3	872	602
Amounts due from a company with common key management personnel	4	332	411
Sales to joint ventures and associates on normal trading terms		25,087	39,908
Purchases from joint ventures and associates on normal trading terms		78,929	56,451
Amounts due from joint ventures and associates		13,270	1,907
Amounts due to joint ventures and associates		4,438	4,560

1. The Garfield Weston Foundation ('the Foundation') is an English charitable trust, established in 1958 by the late W Garfield Weston. The Foundation has no direct interest in the Company, but as at 13 September 2008 held 683,073 shares (2007 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2007 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 13 September 2008 trustees of the Foundation comprised two children and two grandchildren of the late W Garfield Weston and five children of the late Garry H Weston.
2. A member of the Weston family who is employed by the group and is not a director of the Company or Wittington Investments Limited and is not a Trustee of the Foundation.
3. The fellow subsidiary undertaking is Fortnum and Mason plc.
4. The company with common key management personnel is George Weston Limited, in Canada.

10. Subsequent events

On 28 October 2008 we announced the creation of Stratas Foods, a joint venture with Archer Daniels Midland Company ("ADM") for the manufacture, marketing and distribution of packaged oil products in the US and Canada. ABF and ADM will each hold a 50% share in the joint venture which will be headquartered in Memphis, Tennessee.

ABF will contribute US\$38m of assets from the ACH oils business, primarily in the form of trademarks, whilst ADM will contribute packaging equipment at four of its facilities in the US. The business contributed by ABF generated operating profit of US\$20m in the year ended 15 September 2007.

11. Other information

The financial information set out above does not constitute the group's statutory financial statements for the years ended 13 September 2008 and 15 September 2007 but it is derived from them. The 2007 financial statements have been filed with Registrar of Companies whereas those for 2008 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 13 September 2008

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 13 September 2008 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 4 November 2008.

Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements are presented in sterling, rounded to the nearest million. They are prepared on the historical cost basis except that biological assets and certain financial instruments are stated at their fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. However, the financial information included in this preliminary announcement does not in itself contain sufficient information to comply with IFRS.

The accounting policies applied in preparing this financial information are consistent with the group's financial statements for the year ended 15 September 2007. New accounting standards that came into force in the year did not require restatement of comparatives.

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

The consolidated financial statements of the group are prepared for the 52 weeks ended 13 September 2008 except that, to avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries are included up to 31 August 2008. The results of Illovo are included for the period to 30 September 2008 in line with Illovo's local reporting date. Adjustments are made as appropriate for significant transactions or events occurring between 31 August and 30 September.