Associated British Foods plc

LONG-TERM INVESTMENT / SUSTAINABLE GROWTH
ANNUAL REPORT 2011

Annual Report and Accounts 2011

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ASSOCIATED BRITISH FOODS IS A DIVERSIFIED INTERNATIONAL FOOD, INGREDIENTS AND RETAIL GROUP WITH SALES OF £11.1BN, AND 102,000 EMPLOYEES IN 46 COUNTRIES.

WE AIM TO ACHIEVE STRONG, SUSTAINABLE LEADERSHIP POSITIONS IN MARKETS THAT OFFER POTENTIAL FOR PROFITABLE GROWTH, AND DELIVER QUALITY PRODUCTS AND SERVICES THAT ARE CENTRAL TO PEOPLE'S LIVES.

THE YEAR'S HIGHLIGHTS

- Revenue growth achieved in all business segments
- Further strong development for AB Sugar
- Another record year for AB Agri
- 12% increase in selling space for Primark with 19 new stores opened
- Substantial capital investment

These results are presented for the 52 week period ended 17 September 2011. Prior year results were for the 53 week period ended 18 September 2010. On a comparable basis adjusted operating profit was 3% ahead of last year.

* before amortisation of non-operating intangibles and profits less losses on disposal of non-current assets.

** before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, and profits less losses on the sale and closure of businesses.

Group revenue
£11.1bn
Up 9%

Adjusted operating profit*
£920m
Up 1%

Adjusted profit before tax**
£835m
Up 1%

Adjusted earnings per share**
74.0p
Up 2%

Dividends per share
24.75p
Up 4%

Net capital investment
£825m

Net debt
£1,285m

Operating profit
£842m
Up 3%

Profit before tax
£757m
Down 1%

Basic earnings per share
68.7p
Down 1%

THE GROUP OPERATES THROUGH FIVE STRATEGIC BUSINESS SEGMENTS: SUGAR; AGRICULTURE; RETAIL; GROCERY; AND INGREDIENTS.

SUGAR

19%
of total revenue

Revenue
£2,134m (2010, £1,941m)

Adjusted operating profit
£315m (2010, £240m)

Adjusted operating profit margin
14.8% (2010, 12.4%)

Return on average capital employed
17.3% (2010, 14.0%)

Sugar, Europe
Our UK beet sugar factories produce over one million tonnes of sugar annually. Azucarera in Spain produces around 400,000 tonnes of beet sugar each year and has a cane refining capacity of a further 400,000 tonnes.

Sugar, China
We operate five cane sugar mills in Guangxi Province and seven beet sugar factories in the north east of the country. Continuous investment has raised annual sugar capacity to 850,000 tonnes.

Sugar, southern Africa
Illovo is Africa's largest sugar producer with agricultural and production facilities in six countries. Annual sugar production is 1.6 million tonnes.

AGRICULTURE

10%
of total revenue

Revenue
£1,127m (2010, £954m)

Adjusted operating profit
£40m (2010, £33m)

Adjusted operating profit margin
3.5% (2010, 3.5%)

Return on average capital employed
19.0% (2010, 18.1%)

AB Agri operates at the heart of the agricultural industry with activities that stretch from field to fork. Its unique breadth and experience enable it to add value all along the food, drink and biofuel industry supply chains.

AB Agri supplies products and services to farmers, feed and food manufacturers, processors and retailers. It also buys grain from farmers and supplies crop inputs through its joint venture arable operation, Frontier Agriculture.

We employ over 2,000 people in the UK and China and market products in 55 countries worldwide.

For more information on our year, our approach to corporate responsibility and shareholder information go to www.abfreports.co.uk

RETAIL

28%
of total revenue

Revenue
£3,043m (2010, £2,730m)

Adjusted operating profit
£309m (2010, £341m)

Adjusted operating profit margin
10.2% (2010, 12.5%)

Return on average capital employed
18.2% (2010, 23.5%)

Primark
Primark is a major retail group employing 36,000 people. It operates stores in the UK, Republic of Ireland, Spain, the Netherlands, Portugal, Germany and Belgium.

Targeted at the fashion-conscious under 35s, Primark offers customers high-quality merchandise at value for money prices.

Buying and merchandising teams in Dublin (Republic of Ireland) and Reading (UK) travel internationally to source and buy up-to-the-minute fashion items that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

GROCERY

33%
of total revenue

Revenue
£3,638m (2010, £3,406m)

Adjusted operating profit
£249m (2010, £229m)

Adjusted operating profit margin
6.8% (2010, 6.7%)

Return on average capital employed
17.6% (2010, 19.7%)

International
Twinings and Ovaltine are our global hot beverage brands.

Europe
Market leader in UK sugar with Silver Spoon and Billington's. Jordans cereals, Ryvita, Kingsmill, Patak's and Blue Dragon.

The Americas
Mazola is the leader in corn oil in the US. Capullo is a premium canola oil in Mexico. Tone's, Spice Islands and Durkee are US herbs and spices brands.

Australia
Ham, bacon and smallgoods under Don and KRC brands. Tip Top Bakeries produce a range of well-known bakery brands.

INGREDIENTS

10%
of total revenue

Revenue
£1,123m (2010, £1,067m)

Adjusted operating profit
£56m (2010, £104m)

Adjusted operating profit margin
5.0% (2010, 9.7%)

Return on average capital employed
8.3% (2010, 16.5%)

Yeast and bakery ingredients
AB Mauri operates globally in yeast and bakery ingredient production with 49 plants in 25 countries supplying plant and artisanal bakers and the foodservice and wholesale channels. It is a technology leader in bread improvers, dough conditioners and bakery mixes.

Speciality ingredients
ABF Ingredients focuses on high-value ingredients for food and non-food applications. It manufactures and markets enzymes, yeast extracts, speciality proteins and lipids.

A YEAR AGO WE COULD NOT HAVE FORESEEN THE EXTRAORDINARY WORLD EVENTS THAT WOULD UNFOLD OR THE IMPACT THAT THEY WOULD HAVE ON EVEN THE MOST STABLE ECONOMIES >>

That the group has been able to deliver 9% sales growth and adjusted earnings per share 2% ahead of last year's 53 week period is testament to the strength of our businesses and the exceptional efforts made by our employees.

Substantial inflation in commodity costs during the year, particularly cotton, wheat, vegetable oil, molasses and energy, presented our businesses with challenges. The impact on margins in Grocery were mitigated in most part through price increases and by extensive management action to drive efficiencies through reduced energy consumption, reformulated recipes and packaging, and better distribution. Primark's determination to offer the best value clothing on the high street led to its decision not to pass on the full effect of cost increases to customers and understandably this reduced margins. Competitive pressures prevented AB Mauri from recovering its higher costs in Europe and the US.

Some businesses benefited from high prices and volatile markets however. World sugar prices have been at 30 year highs for most of the year, enabling AB Sugar to deliver a record profit and more than offset the higher costs associated with weather-related production shortfalls in the UK and Africa. Volatile wheat prices throughout the year created exceptional grain trading opportunities for Frontier which, together with growth in speciality feeds and nutrition, contributed to AB Agri also delivering a record profit.

The last few years have seen intensive capital investment in the food businesses with a number of new and expanded factories already in production which are expected to deliver improved profitability in the coming year. 2012 will see completion of two of the group's most ambitious investments to date: the new meat factory in Castlemaine near Melbourne in Australia and Vivergo's wheat bioethanol plant being constructed in Hull. We expect this level of investment to moderate and, in the near term, a greater proportion of our expenditure will therefore be on new stores for Primark. Cash flow from operations will strengthen further as a consequence.

Governance

Corporate governance has continued to evolve over the past year and emerging practice has remained a regular subject for discussion at the board. We have always sought to run our business in a responsible way, recognising that good corporate governance supports the long-term health of the group. The board also recognises the importance of its stewardship responsibilities including its role in setting the values which underpin our group culture.

Our governance reporting obligations are defined by the updated Combined Code, renamed in June 2010 as the UK Corporate Governance Code. We fully support the new Code and the direction in which it is taking the practice of good governance in the UK and, in particular, the emphasis placed on the board's responsibility for providing the leadership necessary for long-term success. I am also mindful of my personal responsibility as Chairman to lead the board and to ensure that it is working effectively. This year's board evaluation process was undertaken with the Financial Reporting Council's guidance on board effectiveness very much in mind and we took a close look at how we might develop further.

GOOD RESULTS, AND ESPECIALLY THOSE ACHIEVED IN DIFFICULT TRADING CONDITIONS, ARE NOT DELIVERED BY CHANCE. THEY ARE THE CONSEQUENCE OF THE HARD WORK AND ENTERPRISE OF OUR EMPLOYEES

The new Code also prompted us to re-examine our governance procedures including a review of the matters reserved to the board and the terms of reference of its committees. We have followed the debate on the annual election of directors with interest and will be adopting this practice, with all of our directors standing for re-election at this year's annual general meeting.

Diversity

We very much welcome the publication, in February, of the Davies Review of Women on Boards. We recognise the benefits of diversity throughout the business, including gender diversity, and we employ many senior female managers across the group including, importantly, in operational areas.

The issue of gender diversity at board level is of unanimous concern and was a specific issue considered during this year's board evaluation process. Both as a business and a board, we will continue to appoint on merit but it has now been agreed with the Nominations committee that we will ask executive search agencies to ensure that half of the candidates they put forward are women.

We have a gender diversity task force with representation from across the group's businesses, the aims of which are to increase the visibility of, and opportunities for, women at all levels of seniority, and to encourage them in their development.

Interim report

For a number of years the Company has not been required to issue a printed copy of its interim results but has chosen to do so for the convenience of those shareholders who do not have easy access to the internet. It is clear that this practice is now out of step with the vast majority of leading FTSE companies and therefore, from 2012 onwards, a hard copy of the interim results will no longer be sent to shareholders. Our results will be disseminated to the stock market by way of a Stock Exchange announcement and will be published on the Company's website (www.abf.co.uk). A hard copy of the announcement will be made available upon request to the Company Secretary's office.

Directorate

After 47 years as a director on our board, Galen Weston has decided that he does not wish to stand for re-election at the forthcoming annual general meeting. When he joined the board in 1964, serving under his father Garfield, the group's revenues were £260m and profit after tax was £8m, derived largely from milling and baking operations in the UK, Australasia and South Africa. During a remarkable period in the group's evolution Galen has provided sound guidance and support, and his contribution has been greatly valued.

Employees

Good results, and especially those achieved in difficult trading conditions, are not delivered by chance. They are the consequence of the hard work and enterprise of our employees who, for the first time, exceed 100,000 in number this year. On behalf of shareholders, I thank them all for their efforts and the success they have achieved in the past year.

Dividends

A final dividend of 16.85p is proposed, to be paid on 13 January 2012 to shareholders on the register on 9 December 2011. Together with the interim dividend of 7.9p paid on 8 July 2011, this will make a total of 24.75p for the year, an increase of 4%.

Outlook

The outlook for economic growth in developed economies around the world is subdued and we believe will remain so in the medium term. We expect continued pressure on consumer disposable incomes. However, commodity costs appear to be subsiding although the effect of forward purchasing means that the benefits to the group will not be felt immediately and, in the case of Primark, not until the beginning of the new calendar year. Improved sugar pricing is expected to benefit AB Sugar in the coming year and we have made a good start to this year's production campaigns in the northern hemisphere. The group is also expected to benefit from the returns on recently completed capital investments. As a result we expect growth in sales and adjusted operating profit in the coming year, with the profit improvement weighted towards the second half.

Charles Sinclair
Chairman

IN SUGAR, IT'S BEEN A YEAR OF CONTINUED INVESTMENT AND SUSTAINABLE GROWTH

To get more of a flavour...
Watch our short animated film >>
www.abfreports.co.uk

EUROPE

Our European operations typically produce around 1.6 million tonnes of beet sugar and now have capacity to refine a further 400,000 tonnes of raw cane sugar

15MW

Azucarera's new combined heat and power plant is successfully exporting power to Spain's national grid

CHINA

850,000

tonnes production capacity in China

SOUTH:

By improving energy efficiency we're selling more renewable bagasse to local paper mills in south China

NORTH:

Our work with growers helped double beet sugar output to 210,000 tonnes

AFRICA

1.6M

tonnes of sugar produced in Africa

SOUTH AFRICA:

The Noodsberg refinery has increased its capacity to 350,000 tonnes

SWAZILAND:

The expanded Ubombo mill will produce an additional 100,000 tonnes of sugar per annum and export power to the national grid

TANZANIA:

Ongoing irrigation and drainage projects to raise cane yields will help increase sugar production

ZAMBIA:

The major investment in our Nakambala factory has increased capacity to 450,000 tonnes

OUR AGRICULTURE BUSINESS OPERATES AT THE HEART OF THE INDUSTRY, WITH SUSTAINABLE ACTIVITIES THAT STRETCH FROM FIELD TO FORK

To get more of a taste...
Watch our short animated film >>
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PRIMARK


£1


PRIMA

IN RETAIL

WE HAVE A CONCEPT THAT

CUSTOMERS LOVE

AND A BUSINESS MODEL

THAT TRAVELS

To check out our style...
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GREAT GROCERY BRANDS, ENJOYED BY THE WHOLE FAMILY

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ASSOCIATED BRITISH FOODS IS A MAJOR INTERNATIONAL MANUFACTURER OF BRANDED GROCERY PRODUCTS, MANY OF WHICH ARE MARKET-LEADING HOUSEHOLD NAMES. A WELL MANAGED FOOD BRAND PROVIDES A GUARANTEE OF QUALITY AND CONSISTENCY AND REFLECTS THE VALUES OF THE CONSUMER.

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To whet your appetite...
Watch our short animated film >>
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THE MAIN INGREDIENT IS INNOVATION. THE FINISHED RESULT IS A PERFECTLY BAKED SOLUTION.

CENTRAL TO OUR UNIQUE APPROACH TO CUSTOMER SERVICE IN BAKERY INGREDIENTS IS THE BAKING TECHNOLOGY GROUP, A TEAM OF HIGHLY SKILLED FOOD SCIENTISTS AND TECHNOLOGISTS BASED IN THE NETHERLANDS SERVING AB MAURI CUSTOMERS WORLDWIDE. WITH TEAMS FOCUSED ON NEW TECHNOLOGY RESEARCH, FORMULA CREATIVITY AND BAKERY APPLICATION, IT DELIVERS GENUINE ADDED VALUE IN FULFILLING CUSTOMERS' REQUIREMENTS.

See what we put into the mix...
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THIS WAS ANOTHER YEAR OF PROGRESS FOR THE GROUP. REVENUE INCREASED BY 9% TO £11.1BN AND ADJUSTED OPERATING PROFIT WAS 1% AHEAD OF LAST YEAR AT £920M >>

These results were achieved in a difficult trading environment which was characterised by substantial increases in many of our commodity costs and a weakening of consumer demand in developed markets as disposable incomes reduced.

There were a number of highlights this year. AB Sugar achieved a significant improvement in profit driven by our Chinese and Iberian businesses and AB Agri had another record year. In Grocery, Twinings and Ovaltine achieved excellent revenue growth and Jordans Ryvita and AB World Foods delivered on the investment in recent years with growth and much improved margins. Like-for-like sales growth at Primark was notable when most of its high street competitors showed a decline. Our investment across the group was substantial this year with a number of projects completed or expected to complete next year.

We have made a major investment in our sugar businesses in recent years with the acquisition of Azucarera in Iberia, the development of our presence in China in both cane and beet sugar and capacity expansions in Illovo. It is pleasing to report the growth in profit for this group, now named AB Sugar, driven by our investment in Azucarera and in China. In the UK, British Sugar worked hard to meet its supply obligations, albeit at some cost, after the production shortfall arising from the effects of the harsh winter on the beet crop. Looking ahead, the combination of an increase in production, a further improvement in our operations and higher sugar prices are expected to benefit our business.

Grocery's major challenge during the year was the mitigation of the effects of rising commodity costs and consumers seeking ever better value. All of our businesses improved their consumer offering and management has delivered on investments made in recent years, contained costs and achieved price increases. The reported reduction in profitability in Australia was, however, a major disappointment. To address this we have appointed a new management team and a programme of cost reduction and the full commissioning of the meat factory will be their focus for the coming year.

Our increased investment in Primark this year demonstrates our commitment to support the continued growth of this business. Much attention has been paid to the effects of the increase in input costs, especially cotton, during the year. The decision to maintain our value position on the high street, even at the expense of margin, has proven to be successful and the achievement of like-for-like sales growth of 3% and growth in market share in a challenged consumer environment is a demonstration of this. Some of these cost pressures are now reducing. Our experience in continental Europe continues to be encouraging both in terms of strong consumer demand and selling space expansion and gives us confidence for future growth.

The combination of higher input costs and increased competition for yeast in some parts of the world contributed to a decline in margin for Ingredients. We remain committed to our investment in building capacity, with new factories being constructed in China and Mexico, and in developing a sharper and more differentiated offering for both yeast and bakery ingredients. Profit improvement is expected as molasses costs begin to subside in some of our markets.

Net capital investment in the group was £825m this year which included a much higher level of expenditure for Primark on new stores, and on the refit and extension of existing stores, as we increased the retail selling space by 12% on what has become a substantial estate. Our development in continental Europe gathered pace and there was a 10% increase in the UK. Elsewhere we completed major projects for yeast at Harbin in China, an increase in sugar capacity in Swaziland and in efficient production at Allied Bakeries. In the coming financial year we will see the completion of the Vivergo bioethanol plant in Hull and of the commissioning of the meat factory at Castlemaine in Australia. Looking forward investment in Primark is expected to continue at least at these levels but with some reduction in the level of expenditure in the rest of the group.

Summary

Operating profit improved as our businesses overcame the challenges of high commodity cost inflation and weaker consumer demand. Further substantial investment saw the completion, or near completion, of a number of major capital projects and a sizeable increase in the Primark estate. Opportunities for further investment are exciting, particularly in Primark, and the strength of the group balance sheet and a strong cash flow will enable us to pursue them with confidence.

George Weston
Chief Executive

Revenue
£2,134m (2010, £1,941m) +10%

Adjusted operating profit
£315m (2010, £240m) +31%

Adjusted operating profit margin
14.8% (2010, 12.4%)

Return on average capital employed
17.3% (2010, 14.0%)

SUGAR

AB Sugar is a leading multinational in the growing market for sugar and sugar derived products and co-products. In the EU, Azucarera is the major producer in Iberia and British Sugar is the sole processor of the UK sugar beet crop and Europe's most efficient producer. Illovo is the largest sugar processor in Africa and is one of the world's foremost low-cost producers.

The group has substantial businesses in China with cane sugar in the south and beet sugar in the north east. The group currently operates 34 plants in ten countries and will be capable, next year, of producing some 5 million tonnes of sugar and 600 million litres of ethanol, including potable alcohol. It will also have the capacity to generate power sufficient to meet most of its internal needs. AB Sugar aims to achieve growth through excellence in agriculture and operations, the application of new technologies for the sustainable processing of beet and cane, and the further development of co-products.

The group performed very well this year with revenue ahead by 10%, operating profit up 31% and an increase in margin to 14.8%. This was achieved with a significant increase in Chinese beet sugar production, an improvement in Iberia and the benefit of strong world prices. However, it was affected by weather-related poor harvests in South Africa, southern China and the UK.

In the UK, the profit of British Sugar reflected the impact of the crop shortfall resulting from the frost damage sustained during the severe weather last winter. The decision was taken to meet all customer requirements, despite the very tight market, using a combination of destocking, additional in-house refining and supplementary supplies secured from third parties at high cost. Despite the very poor quality of beet at the end of the campaign, operational innovation by the business enabled just under 1.0 million tonnes of sugar to be produced. To prioritise sugar availability, bioethanol production was ended prematurely after all existing supply contracts had been fulfilled. These actions came at significant additional cost, a proportion of which was recovered through a mid-year price increase.

A number of capital projects continued at the Wissington sugar factory during the year. Expansion of the glasshouse adjacent to the factory, by 70% to 18 hectares, was completed on time and on budget. This uses waste heat and CO_2 from the sugar factory and production has risen to 140 million tomatoes annually. Construction, in conjunction with Air Liquide, of the CO_2 liquefaction plant at the bioethanol facility is almost complete and will be commissioned in January. A planning application was submitted in mid August, as part of a feasibility study, for a renewable-energy facility which would provide 25% of the factory's energy needs from anaerobic digestion of sugar beet pulp.

Following delays caused by contractor performance issues, construction activity recommenced at Vivergo's bioethanol plant in Hull. The plant, which will produce up to 420 million litres of bioethanol and up to 500,000 tonnes of high-protein, high-fibre animal feed, is now scheduled to be operational in spring 2012.

In Iberia, Azucarera delivered a much improved performance. Beet campaigns in both the north and south of Spain progressed well and output totalled 410,000 tonnes of beet sugar against a quota of 378,000 tonnes. In addition, the Guadalete refinery substantially increased its output, processing 248,000 tonnes of cane sugar compared with 145,000 tonnes in the previous year. The refinery's 15MW combined heat and power plant is now successfully exporting power to Spain's national grid.

The high world sugar price resulted in a shortfall of raw sugar imports into the EU leaving the market in deficit. In an attempt to overcome this, the European Commission supplemented volumes with two tranches of tariff-free sugar imports and the conversion of some industrial sugar to quota sugar. Despite this, EU stocks are forecast to remain low and prices to remain firm in the coming year.

The terms of the current EU sugar regime will continue unchanged until September 2015. The European Commission has recently published its proposals for reform in 2015 which include the abolition of internal production quotas for sugar. These proposals and alternatives will be discussed over the coming months by the European Council of Ministers and the European Parliament and will be subject to consultation with relevant stakeholders. The tariffs for sugar imports into the EU are not affected by these proposals.

At Illovo, profit in the second half was ahead of last year but the result for the year as a whole fell short of the previous year affected by lower volumes, especially in South Africa, and by the strength of the rand. Local and regional prices rose in response to world market pressures and export prices to the EU improved. Production in our financial year totalled 1.6 million tonnes, down from 1.8 million tonnes last year, driven by the drought-affected South African crop. In Zambia, the new season is progressing well with the expanded factory performing at capacity. In Swaziland, the major factory expansion and power co-generation project at Ubombo was commissioned in April 2011. Over the longer term this will allow the factory to produce an additional 100,000 tonnes of sugar each year. The plant also generates enough electricity from renewable sources to cover all of the mill's power needs, with any surplus being commercially exported into the Swaziland national grid. In South Africa, the expansion of the Noodsberg refinery was also completed, increasing capacity by 20% to 350,000 tonnes. In Tanzania, irrigation expansion and drainage improvement schemes aimed at increasing cane yields continued.

Revenue and profit in our Chinese sugar businesses built on last year's improvements and were substantially ahead reflecting both higher prices and volumes. Beet sugar production doubled to 210,000 tonnes with the benefit of the ongoing and intensive work with growers to increase mechanisation, fertiliser and chemical use, and improve irrigation and harvesting practices. In the south, sugar production of 415,000 tonnes was held back by unfavourable weather conditions which reduced the sucrose levels in the cane. However, the Chinese sugar price was firm during the year, rising in line with the increases in the world market price during the latter part of 2010, and then remaining relatively steady. Relocation of the Zhangbei beet sugar factory, from its original site which was redesignated by local government for alternative use, has commenced and is making good progress. The relocation is due to be completed for the 2012/13 campaign.

GETTING FAR MORE FROM MUCH LESS

A Sugar case study

Achieving agricultural efficiency requires an integrated approach: balancing the complex interaction of seed, soil, machinery and labour, with the variable influences of climate, pests and disease. The UK beet sugar industry is continually searching for new opportunities to improve performance.

Efficiency projects have been undertaken on seed technology, seed drilling and harvesting enabling UK sugar beet farmers to accelerate productivity and increase yields faster than any other UK arable crop.

Over the last three decades, UK sugar beet yields have risen by 60% from 7 tonnes of sugar per hectare to over 11 tonnes per hectare. These efficiency gains have meant that some 90,000 hectares have been released for alternative use, providing farmers with further economic opportunities.

One way of achieving improved crop performance is through the use of advanced seed-priming and coating technology. Since 2007, the British Beet Research Organisation has been working in partnership with one of our businesses, Germains Seed Technology, to conduct UK field trials of new, 'advanced' seed products. This research resulted in the development of our seed product, XBEET, which accelerates the rate of seed germination by up to seven days. Quicker establishment of seedlings reduces the risk of damage by poor weather and pests, and the plants also emerge more uniformly, providing further efficiencies for growers when applying plant protection products and during harvesting. The trials demonstrated that the 'advanced' seed increased the plant population by up to 10% and yields were up to 7% higher than those from untreated seed.

Two years after the trials, growers of 95% of the UK crop had adopted XBEET, and in 2011 the entire seed supply was treated with the product. In only three years, field harvesting losses were halved and root damage was significantly reduced.

Revenue
£1,127m (2010, £954m) +18%

Adjusted operating profit
£40m (2010, £33m) +21%

Adjusted operating profit margin
3.5% (2010, 3.5%)

Return on average capital employed
19.0% (2010, 18.1%)

AGRICULTURE

AB Agri procures grain and oilseeds from farmers and co-products from the food, drink and bioethanol industries. It manufactures and sells animal feeds and premixes to farmers and micro ingredients to farmers and feed manufacturers. It also provides agronomy advice and crop inputs.

In the UK, AB Agri sells services to the food supply chain, from farmer to retailer, aimed at product differentiation, efficiency and sustainability. It has facilities in the UK and China and markets products in 55 countries worldwide. Investments made in recent years, in new technologies, products and emerging markets, particularly for animal feed enzymes and premixes, are now developing into substantial businesses and will provide opportunities for more growth in the medium term.

Revenues were 18% ahead with growth achieved in all sectors, driven by commodity price increases in UK feed and strong development of feed enzymes, speciality feeds and nutrition. This growth, together with an excellent performance from Frontier, drove operating profit up 21% on last year.

UK feed revenues and profit both grew, benefiting from the long-term relationships developed with major customers. This was achieved despite a difficult year for the UK livestock industry which experienced one of the worst winters on record and agricultural commodities showing extremes in both the overall high level and in day-to-day volatility of cereal prices. At Premier Nutrition, sales of pig starter feeds and premixes continued to grow strongly, particularly in Eastern Europe and Russia. Expansion of the premix factory at Rugeley is progressing to plan and will come on stream next autumn. AB Vista achieved strong revenue growth and significant market share gains in feed enzymes, and sales in the US benefited from the regulatory approval of our new Quantum TR product in March 2011.

Good feed volume growth was achieved in China, as higher prices for pigs, eggs and milk led to increased farm incomes and a greater enthusiasm for agricultural investment. This market is nonetheless challenging, particularly with high raw material commodity prices driving up the cost base.

At Frontier, firm wheat prices and high volatility throughout the year created exceptional grain trading opportunities with record volumes purchased and traded. High crop prices underpinned good farm profitability resulting in strong growth in fertiliser and seed sales, and increased usage by farmers of crop protection products.

AB AGRI — AT THE HEART OF AGRICULTURE

An Agriculture case study

While AB Agri's core business is at the heart of the agriculture industry its activities stretch from the farm all the way to the supermarket shelf. This unique breadth and experience enables it to add value and generate profit for businesses all along the supply chains of the food and drink industry. Today, it supplies products and services to farmers, feed manufacturers, food producers and retailers.

AB Agri has a mission to develop sustainable agricultural models and practices which allow the expansion and development of the agriculture industry without sacrificing the sustainability of our planet. It has a number of businesses which manage and promote the quality, sustainability and traceability of British food, and enhance the environment in which this food is produced.

AB Agri also owns the WildCare brand which is endorsed by The Wildlife Trust. It works to improve the impact that farming has on the British countryside by restoring or creating areas of sustainable natural habitat on farmland, enabling wildlife to thrive.

In seeking to address the impact of agricultural expansion on the environment, the business identified the need for better measurement and modelling of greenhouse gas emissions from agricultural enterprises.

The AB Agri model considers all of the major factors that have a bearing on greenhouse gases emitted by dairy farms, and focuses specifically on those factors that can be influenced by farmers' day-to-day management decisions. The model has gone through a rigorous testing programme by scientists at Imperial College, London who specialise in greenhouse gas emissions, and its certification by The Carbon Trust recognises the scientific rigour of this testing, and the model itself.

Revenue
£3,043m (2010*, £2,682m) +13%

Adjusted operating profit
£309m (2010*, £335m) -8%

Adjusted operating profit margin
10.2% (2010, 12.5%)

Return on average capital employed
18.2% (2010, 23.5%)

RETAIL

*52 week basis

Store expansion by region

	UK		Republic of Ireland		Iberia		Northern continental Europe		Total	
	sq ft 000	stores	sq ft 000	stores	sq ft 000	stores	sq ft 000	stores	sq ft 000	stores
September 2010	4,720	143	1,010	38	570	19	180	4	6,480	204
Change in year	470	11	–	–	190	5	140	3	800	19
September 2011	5,190	154	1,010	38	760	24	320	7	7,280	223
	+10%		**–**		**+33%**		**+78%**		**+12%**	

Primark is a major clothing retailer employing 36,000 people across the UK, Ireland, Spain, Portugal, Germany, the Netherlands and Belgium. It offers customers high-quality, up-to-the-minute fashion at value for money prices. Over the last ten years we have doubled the number of stores, quadrupled the retail square footage and profit has increased by almost five times.

We see substantial opportunities for further growth in selling space in those countries where we currently operate.

Adjusting 2010 on to a comparable 52 week basis, revenue was 13% ahead of last year. We achieved like-for-like sales growth of 3% driven by a strong performance in continental Europe and some growth in the UK and Ireland. This was achieved against a background of weaker consumer demand reflecting a reduction in disposable incomes, particularly in the UK.

Profit on the adjusted basis was 8% lower than last year reflecting the decision to absorb some of the margin pressure caused by high cotton prices and the increase in VAT in the UK. By not increasing prices to recover all of its cost inflation, Primark chose to forfeit increased profitability for the support of its loyal customer base and maintained its position as offering the best value on the high street.

Revenue and adjusted operating profit for 2010 on a 53 week reported basis and, as shown in the segmental analysis in note 1, were £2,730m and £341m respectively.

NEW STORE OPENINGS

El Mirador, Las Palmas (Spain)
Las Arenas, Las Palmas (Spain)
La Coruna (Spain)
Forum Sintra, Lisbon (Portugal)
Portimao (Portugal)
Dortmund (Germany)
Gelsenkirchen (Germany)
Hoofdorp (The Netherlands)
Bournemouth (UK)
Cwmbran (UK)
Harrogate (UK)
Ilford (UK)
Kings Lynn (UK)
Perth (UK)
Scunthorpe (UK)
Stockport (UK)
Stratford City (UK)
Winchester (UK)
Worcester (UK)

Relocations:
Yeovil (UK)

Primark continued to strengthen its ethical trade programme this year with a focus on seeking improvements in workers' rights within individual workplaces and more widely across the industry. We conducted 1,266 audits in the last calendar year, and ethical trade training is given to every new Primark employee. The ethical trade team based in the key sourcing regions was further expanded to increase our capability to work on delivering sustainable improvements in our supply chain. We share more than 98% of the factories we use with other high street brands and, in collaboration with other retailers and non-governmental organisations, we seek to address the challenges of the industry.

During the year our store design evolved to provide a more contemporary shopping experience with an improved layout, enhanced merchandising, more fashionable shop windows and customer-friendly navigational signage. This was showcased at the recent openings of stores in Dortmund, Germany and Stratford City in London in September.

Store expansion in this financial year was very strong with 19 stores and 0.8 million sq ft of selling space added. 11 new stores were opened in the UK, three in Spain including two stores in the Canary Islands, two in each of Portugal and Germany and one in the Netherlands. This brings the total number of stores to 223 at the year end and, having also completed a number of store extensions, we were trading from 7.3 million sq ft of selling space.

WORKING TO REDUCE PRIMARK'S CARBON FOOTPRINT

A Retail case study

We recycle almost all of our store waste from our UK stores, including cardboard, plastic and hangers, through our new centralised recycling plant at Thrapston; effectively making our UK distribution network carbon neutral.

We estimate that in a year, we will have:

23,000,000

Recycled 23,000,000 hangers

21,500

Cut 21,500 lorry trips to our stores

160,500

Reduced road use by 160,500 miles

28,000

Saved 28,000 gallons of fuel

14,000

Recycled 14,000 tonnes of cardboard in a 21-day closed loop system to make the paper carrier bags we use in store

238,000

Saved 238,000 trees

The momentum of our store opening programme continues into the new financial year. Since the year end we have already opened in Braga Parque in northern Portugal, Malaga in Spain and Hannover in Germany which, at 94,000 sq ft, is our largest store outside the UK. Highlights later in the year will include a 75,000 sq ft store on Princes Street in Edinburgh, scheduled to open just before Christmas, our second store on London's Oxford Street adding a further 80,000 sq ft next summer and our first store in Berlin. We are continually working to secure new stores in each of the countries where we operate.

We have made further investment to improve the efficiency, and increase the capacity, of our logistics network. The new warehouse in Naas, Ireland is fully operational. The warehouse at Torija, Spain was doubled in size and is now capable of handling garments shipped on hangers. Plans are being developed for a new distribution centre in northern continental Europe to service our fast-developing presence there.

Revenue
£3,638m (2010, £3,406m) +7%

Adjusted operating profit
£249m (2010, £229m) +9%

Adjusted operating profit margin
6.8% (2010, 6.7%)

Return on average capital employed
17.6% (2010, 19.7%)

GROCERY

Grocery comprises our businesses that manufacture and market a variety of grocery brands, many of which hold leading positions, both nationally and internationally. Revenue increased by 7%, adjusted operating profit was 9% ahead and margin improved slightly to 6.8%. The growth in profit was driven by strong performances from Twinings, Ovaltine and our UK grocery businesses, and benefited from a lower charge for restructuring.

The trading performance at George Weston Foods in Australia was disappointing. The average level of capital employed increased by 22% reflecting higher working capital, driven by higher commodity costs, and by capital investment in our production facilities to improve the efficiency of our operations and expand capacity. Return on average capital employed fell as a result but some of the investment has still to deliver benefits.

Twinings achieved strong sales growth especially in the important markets of the UK, the US and Australia. A programme of sustained improvement in products and packaging continued throughout the year in many markets. Capacity expansion at our factory in China is complete and the new tea plant in Poland is now fully operational with both factories supplying our international markets and the Andover facility now dedicated to UK supply.

Twinings was again the fastest growing tea brand in the US and we increased our market share in Australia. Ovaltine also achieved strong sales growth driven again by its developing markets. In Brazil, we supported the powder business with a successful television advertising campaign and we recently launched into the ready-to-drink segment. We delivered strong growth and maintained our market-leading position in Thailand despite increased competitor pressure.

In the UK, Allied Bakeries traded well with success for Kingsmill bakery snacks and rolls, and strong growth in the 50/50 range which was extended into sandwich alternatives including wraps and pitta pockets. The brand was supported by a strong advertising and marketing programme. Increased in-store promotion supported Burgen which introduced a new product line and Allinson continued to lead the premium wholemeal sector with a relaunch in August. Margins tightened, however, with the higher level of promotional expenditure and an extremely competitive market. Major progress was made with the capital programme to improve manufacturing efficiency and upgrade product quality. An extensive upgrade to the West Bromwich bakery was completed with a new bulk handling system, warehouse extension and improved site access. Roll production was consolidated there when the new plant came on stream, as planned, in March. Installation of a new bread plant and bulk handling system in Glasgow was completed during the summer and production is building following successful commissioning. For the third year running Allied Bakeries was named the Branded Bakery Supplier of the Year by The Grocer magazine.

Blue Dragon leads ambient oriental category

The relaunch of Blue Dragon this year featured new products, new packaging and heavyweight consumer advertising. It was a great success with record consumer awareness leading to the brand achieving its highest ever market share. The omens are good for next year as in January the Chinese celebrate their New Year, the Year of the Dragon!

Jordans Ryvita had a very successful year with good sales growth across the range and a substantial improvement in margin. Growth of Ryvita was achieved by a combination of very successful crispbread advertising and the launch of new products. Jordans benefited from advertising on Country Crisp and Frusli together with the introduction of new products in the range. International revenues increased substantially with the launch of Country Crisp in the Benelux countries and strong growth of Ryvita in Australia, Norway and South Africa.

Elsewhere in the UK, Silver Spoon performed well despite significant cost inflation. Granulated sugar for domestic use continued to decline but was offset by further growth in caster and icing sugars for home baking and substantial volume growth for the Billington's and Allinson brands. Westmill's performance was weak, affected by declines in the Chinese and Indian restaurant trade in the UK and strong price-based competition in branded rice where profitability was defended through effective buying and strong action on supply chain costs. AB World Foods made good progress in a competitive trading environment and recovered higher commodity costs through price increases. Blue Dragon was relaunched in the year with new products and packaging, and Patak's continued to grow, particularly in its international trade.

At ACH in the US and Mexico, price increases were implemented in the first half to recover higher commodity costs, particularly in vegetable oil and spices. Commodity costs continued to rise and, with consumers increasingly looking for value, further price increases became difficult to realise and margins were compressed in the second half. Stratas made good progress in streamlining its operations and reducing overheads with a resultant improvement in profit.

Difficult trading conditions for George Weston Foods in Australia led to lower revenues and a substantial reduction in profitability. Much greater promotional price activity on everyday staples by the major supermarkets has had a significant impact on a number of categories and supplier margins have been reduced as a consequence. Our Australian bakery business was particularly affected and also saw a switch to lower margin, private-label and in-store bakery bread. The floods in Queensland in January severely damaged our flour mill at Moorooka. Alternative sources of supply for the local market were quickly secured and the plant resumed full operation by the end of the financial year. The cost of restoration is included in the group's central costs. Our New Zealand bakery business continued to perform well with strong sales growth, primarily due to the launch of Ploughman's, a premium bread, and despite the challenges of the Christchurch earthquakes. The meat business was also impacted by retailer price competition with a higher proportion of sales being subject to promotional discounts. Commissioning of the new factory at Castlemaine, Victoria is progressing, albeit at a higher cost than expected, and the old plant in Melbourne was closed in August. In the coming year, much work will need to be undertaken to deliver the planned efficiencies from the new plant.

DOING GOOD BUSINESS BY DOING GOOD THINGS

A Grocery case study

Associated British Foods' grocery brands can be found in almost every aisle of the supermarket. From bread and noodles to cooking sauces and breakfast cereals. Around the world our grocery businesses have developed strategies for using resources efficiently and minimising their impact on the environment.

In the UK, Allied Bakeries' sustainability agenda is at the heart of their business. In June 2009, Kingsmill became the first, and so far the only, UK bread brand to be allowed to carry the Carbon Trust's Carbon Reduction Label on its packaging, committing us to an ongoing reduction in our carbon footprint. Another industry first is the introduction of bread bags made from 100% recycled virgin waste on some products, and the 'Little Big Loaf' is the only loaf with full-size slices, just fewer of them; reducing waste in households that eat less bread.

Also in the UK, a review of packaging at AB World Foods revealed a significant opportunity to optimise glass used in packaging for the Patak's and Blue Dragon sauce brands. A new design was introduced which led to the achievement of a 12% reduction in glass weight per jar and a saving of 500 tonnes of glass a year.

The Jordans, Allinson and Burgen brands are the only breakfast cereal and bread brands certified by Conservation Grade®, a scheme that encourages farmers to plant wildlife habitats on their land alongside commercial crops.

In Australia, water conservation is a key aspect of the George Weston Foods sustainability programme. Actions are in place to reduce water consumed within production support, boilers, cooling towers, washing and cleaning by 325 million litres.

Wherever they are in the world, ABF's Grocery businesses are using resources efficiently and effectively and creating brands that stand out for their environmental commitment. Not only does this make good commercial sense, it fits with our wider belief in responsible business management for the long term.

98%

By packaging its sweetener in a resealable eco pouch rather than glass, Silver Spoon reduced the packaging weight by 98%.

Revenue
£1,123m (2010, £1,067m) +5%

Adjusted operating profit
£56m (2010, £104m) -46%

Adjusted operating profit margin
5.0% (2010, 9.7%)

Return on average capital employed
8.3% (2010, 16.5%)

INGREDIENTS

The Ingredients segment comprises AB Mauri and ABF Ingredients. AB Mauri has a major global presence in bakers' yeast, with significant market positions in the Americas, Europe and Asia, and is a technology leader in and supplier of bakery ingredients. It operates from 49 plants in 25 countries. ABF Ingredients markets enzymes, yeast extracts, speciality proteins and lipids worldwide and has manufacturing facilities in Europe, the US and China.

Ingredients achieved a revenue increase of 5% over last year but operating profit fell by 46% as a consequence of significant raw material cost increases, a highly competitive trading environment in many of our markets and substantial commissioning costs of the new yeast factory in China. We nonetheless remain committed to our investment in building capacity and developing a sharper and more differentiated offering for both yeast and bakery ingredients. Profit improvement is expected as molasses costs begin to subside in some of our markets.

The AB Mauri yeast and bakery ingredients business achieved revenue growth throughout the year, driven primarily by good performances in Asia and South America. However, difficult market conditions in Europe and North America and substantial raw material cost inflation in a number of key markets saw operating profit sharply lower. The European yeast market was extremely competitive all year and weakness in the bakery industry in North America led to lower sales of wet yeast. Full recovery of higher input costs was consequently challenging in these markets.

In China, we achieved good volume growth benefiting from favourable market conditions. Although prices were increased, profit was nonetheless held back. A shortage of molasses, used as a substrate in yeast manufacture, not only drove the price significantly higher, but also drove the need to use higher-cost corn syrup to make up for the shortfall. Profit was further affected by the commissioning of the new yeast facility in Harbin which added to the cost base ahead of full utilisation. A new fresh yeast plant is under construction in Shandong province and dry yeast capacity at our Xinjiang facility is being expanded. These investments, which are expected to be commissioned in 2012, will provide the capacity to support the continuing market growth.

Our performance in Latin America was encouraging, benefiting from strong economic growth and continued development across a broadened range of products. Significant raw material cost pressure here was successfully offset by price increases. In Mexico, growth remained strong and the business will be further strengthened when the new

yeast production facility, currently under construction at Veracruz, is commissioned at the end of 2012.

Bakery ingredients had another year of strong revenue growth. Considerable progress was made in building relationships with key global customers, and innovation continued to drive new product development enabling us to maintain technology leadership in key markets.

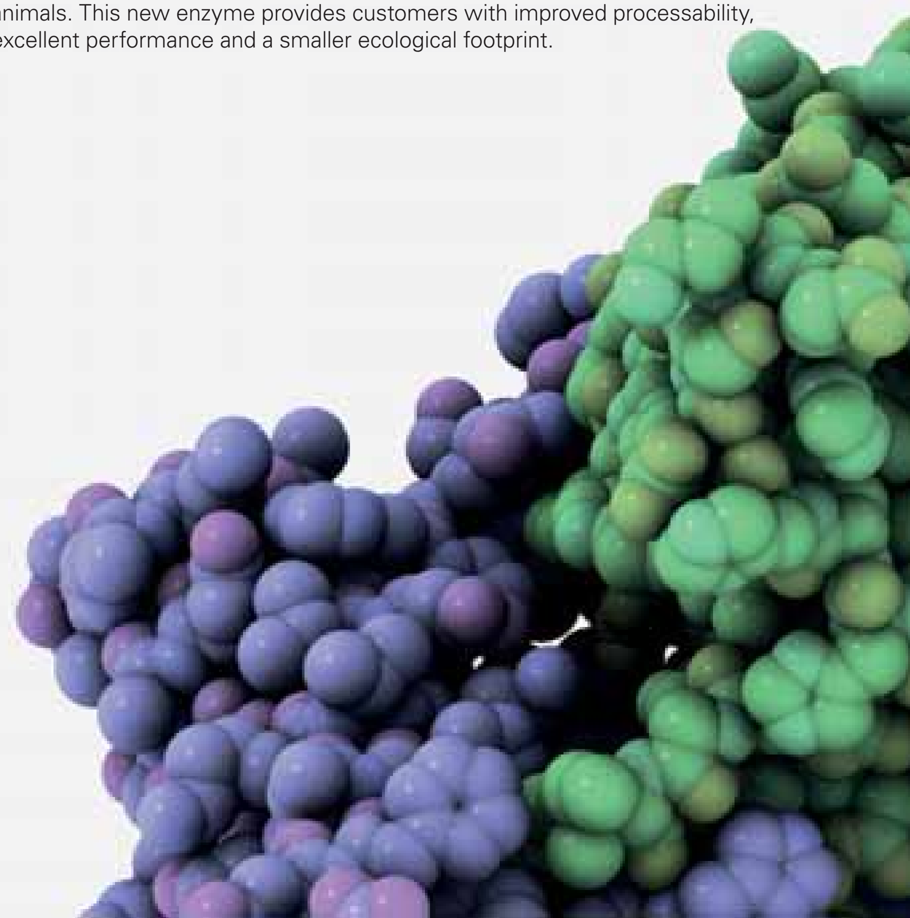
At ABF Ingredients, sales of feed, bakery and speciality enzymes made good progress driven by the successful introduction of new products and expansion into new sales territories. Speciality lipid sales were encouraging driven by a growth in pharmaceutical excipients underpinned by capital investment and a focus on higher value niche products. Yeast extracts are now supplied to Europe from the new factory in Harbin, China easing capacity constraints at our Hamburg factory and customer service levels have improved as a consequence. Commissioning costs of the factory in China were higher than forecast but it is now fully operational and plant efficiency is improving. Yeast extract margins were also reduced by high molasses costs.

INGREDIENTS: LESS CHEMICALS, MORE ENZYMES

An Ingredients case study

AB Enzymes is working to develop enzymes which can be used instead of chemicals. Enzymes are naturally occurring proteins which enable biological reactions to occur in temperatures and conditions that would not otherwise be possible. Moreover, as enzymes are produced with the help of micro-organisms such as bacteria or moulds, the production process (fermentation) is significantly less harmful to the environment than the production of chemicals. This means that enzymes can replace harsh chemicals and organic solvents, and reduce energy use and waste effluent.

For example, AB Enzymes has introduced a novel heat-stable enzyme for the animal feed industry which releases the organic phosphorus in the feed, making it available for animals such as pigs and poultry through their diet. Less inorganic phosphorus now needs to be added to the feed, and more importantly, less organic phosphorus is emitted into the environment by the animals. This new enzyme provides customers with improved processability, excellent performance and a smaller ecological footprint.



WORKING CAPITAL WAS AGAIN TIGHTLY MANAGED AND AVERAGE WORKING CAPITAL ACROSS THE YEAR EXPRESSED AS A PERCENTAGE OF SALES REVENUES WAS LITTLE CHANGED FROM LAST YEAR DESPITE MUCH HIGHER COMMODITY COSTS

Group performance

Group revenue increased by 9% to £11.1bn with growth again achieved in every business segment. On a constant currency basis and with last year's revenues restated on to a comparable 52 week basis, the underlying revenue increase was also 9%.

Adjusted operating profit increased by 1% to £920m and movements in currency exchange rates had no material effect on this result. This profit benefited from lower restructuring charges compared with the previous year, particularly in grocery. When the 2010 result is adjusted on to a 52 week basis, year-on-year profit growth was 3%. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles and any profits or losses on disposal of non-current assets are excluded. Together, these items amounted to £78m this year compared with £90m last year.

No profits or losses arose on the sale and closure of businesses this year compared with a profit of £28m last year on the disposal of the Polish sugar operation in November 2009. These profits are excluded from the calculation of adjusted earnings, and revenue and profit from disposed businesses are disclosed separately in the segmental analysis.

Finance expense less finance income of £92m compared with a charge of £76m last year, as the level of average net debt throughout the year was consistently higher than last year, driven partly by the effect of substantially higher commodity costs on working capital. Other financial income of £7m compared with an expense of £8m last year and related primarily to the net income on retirement benefit schemes, being the expected return on scheme assets less the charge on pension scheme liabilities.

Profit before tax fell slightly from £763m to £757m. The reduction included the lower profit on sale or closure of businesses this year, partly offset by this year's small profit on sale of property, plant and equipment compared with last year's loss. Adjusted to exclude these items, underlying profit before tax increased by 1% to £835m.

Taxation

The tax charge of £180m included an underlying charge of £205m, at an effective rate of 24.6% (2010 – 26.8%) on the adjusted profit before tax. The reduction in the effective rate is a result of the enacted reduction in the UK corporation tax rate from 27% to 25% (2010 – 28% to 27%), yielding a credit of £12m from the calculation of deferred tax liabilities at the lower rate, together with the agreement, with tax authorities, of liabilities for several open years in a number of jurisdictions around the group. Proposed future reductions in the UK tax rate to 23% will be reflected in the year that the relevant legislation is substantively enacted. With increasing profitability in jurisdictions with a higher corporate tax rate than the UK, we expect the group's effective tax rate to be higher in future years.

The overall tax charge for the year benefited from a £25m (2010 – £27m) credit for tax relief on the amortisation of non-operating intangible assets and goodwill arising from acquisitions. No tax arose on the profit on disposal of non-current assets.

Earnings and dividends

Earnings attributable to equity shareholders were £541m, £5m lower than last year, and the weighted average number of shares in issue used to calculate earnings per share was 788 million, consistent with last year. Earnings per ordinary share were 1% lower than last year at 68.7p. Adjusted earnings per share which provides a more consistent measure of performance increased by 2% from 72.2p to 74.0p.

The interim dividend was increased by 4% to 7.9p and a final dividend has been proposed at 16.85p 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 £133m and will be charged next year. Dividend cover, on an adjusted basis, remains at three times.

Balance sheet

Non-current assets of £7,039m increased by £546m as a result of an increase in property, plant and equipment of £524m which was driven by the high level of capital expenditure in the year net of depreciation. Working capital was again tightly managed and average working capital across the year expressed as a percentage of sales revenues was little changed from last year despite much higher commodity costs. However, the absolute level of working capital was substantially higher and at the year end was £231m greater than last year. Provisions were £69m lower than last year end as a large proportion of those created for restructuring were utilised. Provisions that were acquired with the Azucarera sugar business were settled during the year with a corresponding recovery from the vendor. Net borrowings at the year

WE CONTINUED TO INVEST IN THE FUTURE GROWTH OF THE GROUP WITH A NET £825M SPENT ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES NET OF DISPOSALS DURING THE YEAR

end were £469m higher than last year at £1,285m as a consequence of the high level of capital investment and the funding of working capital.

A currency gain of £91m arose on the translation into sterling of the group's foreign currency denominated net assets. This resulted from a strengthening of the euro, Australian dollar and Chinese renminbi against sterling at the end of the year. The group's net assets increased by £431m to £6,175m.

The high level of capital expenditure, much of which was incurred on projects in progress, and only a modest increase in operating profit, saw return on capital employed (ROCE) for the group fall from 17.8% to 15.8% this year. Sugar and Agriculture both delivered an improvement through higher profits but the lower profit at Primark and Ingredients combined with recent investment meant a significant reduction in their returns. The average level of capital employed in Grocery increased by 22% reflecting higher working capital, driven by higher commodity costs, and by capital investment in our production facilities to improve the efficiency of our operations and expand capacity. ROCE fell as a result but some of the investment has still to deliver benefits. ROCE is calculated by expressing adjusted operating profit as a percentage of the average capital employed for the year.

Cash flow

Net cash flow from operating activities was £736m compared with £1,172m last year. This substantial reduction reflects the reversal of last year's £193m working capital inflow to an outflow of £199m this year and is the consequence of substantially higher commodity costs and growth in the business.

We continued to invest in the future growth of the group with a net £825m spent on property, plant and equipment and intangibles net of disposals during the year. Capital expenditure amounted to £794m of which £314m was spent by Primark on the acquisition of new stores and the fit-out of new and existing stores. Expenditure elsewhere was incurred on a wide variety of projects, the largest of which were: completion of factory expansion and construction of a new power co-generation plant in Swaziland; the new meat factory in Australia which is almost complete; the Vivergo bioethanol plant in Hull which is scheduled to begin operation next spring; new yeast plants in Mexico and Shandong province in China and expansion of dry yeast capacity at Xinjiang in China and Casteggio in Italy, all of which are in progress.

We invested £53m on acquisitions, principally deferred consideration payable on acquisitions made in previous years and the buyout of the non-controlling interests in the beet sugar business in China.

Financing

Cash and cash equivalents totalled £341m at the year end. These 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.

The group has total committed borrowing facilities amounting to £2.3bn, half of which is provided under a syndicated, revolving credit facility which does not mature until July 2015. £1.4bn was drawn down on these facilities at the year end.

The strength and breadth of the 12 banks in the syndicate provide support for our financial needs and reflect the scale and international presence of the business. The group also had access, at the year end, to £750m of uncommitted credit lines under which £214m was drawn.

Pensions

Pensions are accounted for in accordance with IAS 19 *Employee benefits* and on this basis, liabilities in the group's defined benefit pension schemes exceeded employee benefit assets by £44m compared with last year's deficit of £99m. This improvement was primarily due to an increase in the market value of the UK scheme's investments in government bonds in line with falling yields, and a deficit reduction contribution made to the UK scheme. The last triennial actuarial valuation of the UK Pension Scheme was undertaken in 2008 and revealed a funding deficit of £163m which, by agreement with the Trustees, the Company is eliminating with five deficit payments of £30m each, the third of which was made in March 2011. Total contributions to defined benefit plans in the year amounted to £70m (2010 – £66m).

For defined contribution schemes the charge for the year is equal to the contributions made which amounted to £51m (2010 – £45m).

John Bason
Finance Director

OUR APPROACH TO CORPORATE RESPONSIBILITY IS BASED ON OUR CORE PRINCIPLES

LAST YEAR WE PUBLISHED 'MEASURING OUR RESPONSIBILITY', OUR FIRST CORPORATE RESPONSIBILITY REPORT. THE RESPONSE WE RECEIVED CONFIRMED THAT OUR STAKEHOLDERS WANT TO KNOW ABOUT OUR POLICIES AND APPROACH TOWARDS RESPONSIBLE BUSINESS PRACTICE, OUR PERFORMANCE YEAR ON YEAR AND HOW WE ARE ADDRESSING OUR MATERIAL ISSUES >>

We remain committed to publishing a full Corporate Responsibility (CR) report within every three years and will continue to provide updated information on our website and through our annual report.

In 2011, the majority of our attention was focused on material risks, their potential impact and the management processes arising from them as outlined in our 2010 report. These include:

- compliance with internationally recognised norms for labour standards and continuous diligence in ensuring the health, wellbeing and safety of our employees, suppliers and contractors;
- a programme of activity, building upon last year's exercise, to identify our water-intensive sites and to improve our understanding of water availability in the vicinity of our plants, our water usage and its disposal; and
- an expanded programme of internal and external audits of health and safety, environmental and other CR matters, and continued sharing of best practice between our businesses.

We are still at the beginning of our CR journey recognising where and how we can continue to improve. While we operate a decentralised approach to managing our businesses, they are encouraged to put in place improvements to minimise any negative social and environmental impacts and to maximise any positive contributions they can make. Typically this is achieved by sharing examples of good practice, increasing the level of importance attached to monitoring and reporting CR performance and ensuring senior management in the businesses are held accountable.

Giving customers the facts – daily intake labelling

George Weston Foods in Australia has made a commitment to providing details of the percentage Daily Intake (%DI) of nutrients prominently on the front of packs, across the entire product range. Showing the content of saturated fat, total fat, sugars and sodium, as well as the percentage of the recommended daily energy intake provided by the product, consumers will be able to make more informed food choices with a better understanding of the nutritional contribution that these products make to their overall diet.

Environment

We have identified that our businesses have the greatest impact on the environment through their use of energy and the resultant emission of carbon dioxide (CO_2), the abstraction of water and the generation and disposal of waste. During the year we invested £60m in environmental improvements including effluent treatment, waste reduction, increased energy generation and greater energy efficiency.

Unusual weather patterns in 2011 created both opportunities and challenges for our businesses. For some the opportunity was increased production time resulting in increased output but with increased use of energy. For others the adverse weather created decreased production efficiencies and increased waste. Therefore, despite driving environmental efficiencies, we have increased our total use of energy with a resultant increase in emissions of CO_2. The weather impacts masked the good work of our engineers in driving up energy efficiency especially in our sugar operations, which are our largest energy users.

Last year we identified some inconsistencies in the measurement of water usage in different parts of the group, especially in Africa. The calculation methodology has now been significantly improved and we will continue to refine our calculations across all of the businesses. Similarly we will focus on our waste generation.

We will strive for further improvement in our health, safety and environmental performance as we take actions to enhance the sustainability of our operations.

Our full Health, Safety and Environment Report for 2011 is available at www.abf.co.uk/uploads/hse2011report.pdf but examples of our environmental improvements in 2011 include:

- nearly 47% of our energy was derived from renewable sources;
- collection of sulphur emissions data has commenced – we emitted 4,900 tonnes this year – and in future we will be able to report our progress in managing these emissions;
- improvements at Speedibake UK include:
  - elimination of plastic trays used internally to reduce the amount of plastic sent to landfill;
  - sourcing of ingredients, packaging and labelling switched to local suppliers;
  - changing our egg supplier from Spain, to one based in Harrogate, resulted in 125,000 fewer transport miles and a resultant reduction of 132 tonnes of CO_2 emissions;
  - back haulage arrangements with customers so that vehicles that previously returned empty now collect their goods for transport to distribution centres saving miles, fuel and CO_2 emissions;
- Azucarera, our sugar business in Spain, has been working with one of its major customers to help determine the water footprint of sugar beet, using the internationally recognised standard designed by the Water Footprint Network, and has started a zero landfill project which has seen the topsoil from some of their sites reused for public works;
- significant new waste water treatment expansions in our sugar businesses in China and yeast businesses in South America, Europe and Asia with over £12m invested in new, expanded or improved effluent treatment plants;
- AB World Foods, Primark and Allied Bakeries have improved their waste handling procedures and approach to recycling. Improved segregation processes in factories and stores have reduced the amount sent to landfill by 2,500 tonnes and increased the amount sent directly to reprocessing plants;
- Silver Spoon's Golden Syrup is moving from a glass jar weighing 236g to a recycled plastic container weighing 35g, a weight saving of 85% and a carbon saving of 59%. When savings in secondary packaging and transport are included, we estimate that this saves 100 tonnes of CO_2 for each million units sold; and
- in 2010 the government launched a commitment to reduce the carbon impact of packaging by 10%, to reduce household food and drink waste by 4% and to reduce traditional grocery product waste in the grocery supply chain by 5%. We will be contributing to these reductions.

Our People

Our business priority is to safeguard the wellbeing, development and safety of our people and those who work with us. With 102,000 employees we put significant effort into ensuring that our businesses are safe places to work and we aim to offer our people the support most suitable for their needs.

Despite the health and safety of our workforce being an absolute priority across the group, we regret deeply having to report three work-related fatalities across our global operations during 2011. The deaths of two employees were the result of working in an unsafe atmosphere within a confined space and a road traffic accident on the way to a meeting. The death of a contractor on our site was the result of a fall from the top of a vehicle whilst preparing to load it. We alerted all our businesses to these tragedies and re-emphasised the safe working procedures.

Green energy

The AB Mauri yeast factory in Brazil has traditionally used heavy fuel oil to generate steam for the production process. Boilers that burn heavy oil are inefficient and emit high levels of CO_2 for every unit of heat produced. The business reviewed the alternatives and decided to invest in a modern biomass boiler.

The feedstock for the new boiler is a mixture of sugar cane fibre (bagasse) and woodchips. As the biomass is a renewable source of energy, the boiler is carbon neutral. The biomass is obtained from what would otherwise be waste from sugar and alcohol plants and the timber industry.

In 2011 we invested £38m to improve working conditions and the safety of equipment. This investment included fire prevention equipment and installations, emergency response systems, personal protection equipment, equipment to prevent falls from height and pedestrian safety measures. We place special focus on construction safety and reducing the risks from moving vehicles.

We monitor carefully the relevant guidance published by the national regulatory authorities as a benchmark, and upgrade our safeguards where necessary to meet the latest standards.

Our businesses continued to develop the robustness of their risk management systems, which include clear objectives and safety improvement targets, effective physical controls, effective management procedures and routine performance monitoring.

With a fall in our reportable injuries, lost time injuries and cases of ill-health suffered by employees, we are heartened to see positive results from the time and financial investment in improving the health, wellbeing and safety of our employees and contractors.

To find out more about our approach to developing and safeguarding our employees, see: www.abf.co.uk/our-people.aspx and www.abf.co.uk/uploads/hse2011report.pdf.

Our Suppliers

Our core business principles as they relate to our suppliers are available at www.abf.co.uk/Our-principles-accordion.aspx. They include requirements to:

- carry out our business honestly, ethically and with respect for the rights and interests of our suppliers;
- settle our bills promptly, being a signatory to the Prompt Payment Code, co-operating with suppliers to improve quality and efficiency;
- develop relationships with supplier companies consistent with these basic principles, and specifically with respect to internationally recognised human rights and conditions of employment; and
- encourage a programme of improvement, where shortcomings are identified through our supplier audit programme.

Our Products and Customers

We are very aware of our responsibility for our products and to our customers and this year we have focused on:

- product and food safety;
- product nutritional labelling;
- sourcing, which includes palm oil and soya; and
- engaging with our customers to meet their needs, provide them with information and support environmentally sensitive behaviours.

As a result, we have been active in each of these areas during 2011 with highlights including:

- George Weston Foods in Australia committed to providing on-pack information on all of its products to show consumers the percentage Daily Intake (%DI) of nutrients and enable them to make informed dietary choices;
- our Grocery group signed the Food and Drink Federation Fivefold Environmental Ambition, the Courtauld 2 Commitment to reduce packaging and waste, and pledges within the UK Government's Responsibility Deal on Public Health to reduce salt, remove trans-fats and promote health to our employees;

WE ARE PLEASED WITH OUR PROGRESS IN MANAGING OUR CORE RESPONSIBILITIES EFFECTIVELY

- Allied Bakeries became a member of the Anaphylaxis Campaign, a UK charity focused on the needs of people at risk of allergic reactions, to provide information and support on food triggers;
- AB Sustain delivered sustainability solutions to retailers and processors and is building a network of NGO relationships;
- AB Agri became a member of the Technology Strategy Board's Sustainable Agriculture and Food Innovation Platform Steering Group which brings funding to commercially focused research projects;
- progress was made in meeting our aim of only buying palm oil from sustainable sources by 2015. Some of our businesses already purchase only Certified Sustainable palm oil and Green Palm Certificates; and
- Primark launched a new informative website in 2011 to explain its open and transparent approach to business, corporate ethics and stakeholder engagement.

Our Communities

We recognise our responsibilities as a member of the communities in which we operate and encourage our businesses to engage with their local communities as and how they wish. However, the group's contribution to communities comes principally via the Garfield Weston Foundation, which was set up by the late W. Garfield Weston in 1958.

It is one of the UK's foremost philanthropic organisations and derives a substantial proportion of its funds from its interests in the group's ultimate holding company, Wittington Investments Limited. More detail can be found at: www.garfieldweston.org.

Conclusion

We were delighted to be ranked third by Carbon Smart in their 2011 annual awards for best practice in CR reporting and assurance, after the publication of our first CR report last year. This, together with the feedback we have received from a range of stakeholders, reassured us that providing greater insight into our risks, responsibilities and actions taken is appropriate. We aim to improve our reporting each year, taking an honest approach to sharing both our achievements and our challenges.

If you have any feedback on our CR information here or on our website, please contact us via www.abf.co.uk/corporate-responsibility-enquiry.aspx.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1

Charles Sinclair Chairman (age 63)

Charles was appointed a non-executive director in October 2008 and as Chairman in April 2009. With wide business experience of both the UK and overseas, his executive career was latterly with Daily Mail and General Trust plc, where he was chief executive from 1989 until he retired from that role and the board in September 2008.

Other appointments: He is a non-executive director of SVG Capital plc.

Committee membership: Chairman of the Remuneration and Nomination committees.

2

George G Weston Chief Executive (age 47)

George was appointed to the board in 1999 and took up his current appointment as Chief Executive in April 2005. In his former roles at ABF, he was Managing Director of Westmill Foods, Allied Bakeries and George Weston Foods Ltd (Australia).

Other appointments: He is a non-executive director of Wittington Investments Limited and a trustee of the Garfield Weston Foundation.

3

John Bason Finance Director (age 54)

John was appointed as Finance Director in May 1999. He was previously the finance director of Bunzl plc and is a member of the Institute of Chartered Accountants for England and Wales.

Other appointments: He is a non-executive director of Compass Group PLC, a trustee of Voluntary Service Overseas and deputy chairman of the charity FareShare.

4

Peter Smith Independent non-executive director (age 65)

Peter was appointed a director in February 2007 and brings extensive experience of international financial matters. Formerly, he was senior partner at PricewaterhouseCoopers (PwC) in the UK. He served for two years as chairman of Coopers & Lybrand International and as a member of the global leadership team of PwC. He was also chairman of RAC plc and a non-executive director of Safeway plc.

Other appointments: He is chairman of Savills plc and Templeton Emerging Markets Investment Trust plc, and a non-executive director of NM Rothschild & Sons Limited. He is also chairman of the Land Restoration Trust.

Committee membership: Chairman of the Audit committee and a member of the Remuneration and Nomination committees.

5

Lord Jay of Ewelme GCMG Independent non-executive director (age 65)

He was appointed a director in November 2006. Lord Jay has broad experience of government and international business. During his career in public service he was British Ambassador to France from 1996 to 2001 and Permanent Under Secretary at the Foreign & Commonwealth Office from 2002 to 2006.

Other appointments: He is a non-executive director of Candover Investments plc, Valeo (the French-based automobile parts company) and of Electricité de France. He has been an independent member of the House of Lords since 2006 and is chairman of the House of Lords Appointments Commission. He also chairs the Trustees of the international medical aid charity Merlin, and is a member of the British Library Advisory Council.

Committee membership: Member of the Audit, Remuneration and Nomination committees.

6

WG Galen Weston OC Non-executive director (age 71)

Galen has been a director since 1964 and brings a wealth of international retail and food business experience to the Company.

Other appointments: He is executive chairman of George Weston Limited, Canada. He is also chairman of Selfridges Group Limited, a non-executive director of Wittington Investments Limited and a trustee of the Garfield Weston Foundation.

7

Timothy Clarke Independent non-executive director (age 54)

Tim was appointed a director in November 2004 and has been Senior Independent Director since December 2007. Tim has extensive experience of retailing. Until 2009, he was chief executive of Mitchells & Butlers plc, following its demerger from Six Continents PLC where he also held the position of chief executive. Previously he had been a partner of Panmure Gordon & Co before joining Bass PLC in 1990.

Other appointments: He is a non-executive director of two pub and brewing companies, Hall & Woodhouse Limited, and Timothy Taylor & Company Limited, and also Triple Point VCT 2011 PLC.

Committee membership: Member of the Audit, Remuneration and Nomination committees.

8

Javier Ferrán Independent non-executive director (age 55)

Javier was appointed a director in November 2006. He spent the earlier part of his career with Bacardi Group, where latterly he served as president and chief executive officer. He has extensive experience of consumer brands on an international basis and in international financing.

Other appointments: He is currently a partner at Lion Capital LLP, a London-based private equity firm.

Committee membership: Member of the Remuneration and Nomination committees.

WE FULLY SUPPORT THE NEW CODE AND THE DIRECTION IN WHICH IT IS TAKING THE PRACTICE OF GOOD GOVERNANCE IN THE UK AND, IN PARTICULAR, THE EMPHASIS PLACED ON THE BOARD'S RESPONSIBILITY FOR PROVIDING THE LEADERSHIP NECESSARY FOR THE LONG-TERM SUCCESS OF THE COMPANY.

Charles Sinclair Chairman's statement on page 4

The board of Associated British Foods plc believes that good corporate governance represents essential protection for the Company's shareholders and remains committed to maintaining high standards of business ethics and integrity across the group, recognising these to be vital to the sustainable long-term performance of the Company. In the Chairman's statement on pages 4 and 5, Charles Sinclair sets out a personal view on developments in corporate governance at ABF.

Compliance with the UK Corporate Governance Code

The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the UK Corporate Governance Code ('the Code') which is published by the Financial Reporting Council and is available from its website (www.frc.gov.uk).

This corporate governance report aims to provide shareholders with an understanding of how the Company has applied the principles and the provisions of the Code. The board considers that the Company has, throughout the year ended 17 September 2011, complied with the relevant provisions set out in the Code, with the following exceptions:

Code provision	Status	Explanation
B.3.2 – The terms and conditions of appointment of non-executive directors should be made available for inspection	Galen Weston has not entered into a formal letter of appointment.	The board of Associated British Foods plc considers this appropriate due to his relationship with the Company's ultimate holding company, Wittington Investments Limited of which he is a director and shareholder. Galen Weston receives no fees for performing his role as a non-executive director and Associated British Foods plc does not reimburse him for any expenses incurred by him in that role.
D.2.1 – The Chairman should not chair the Remuneration committee	Charles Sinclair is both Chairman and chairman of the Remuneration committee.	The board of Associated British Foods plc considers that Charles Sinclair, due to his experience, is best suited to chair this committee. No director has any involvement in the determination of his own remuneration. The board believes that the Company has maintained robust governance while at the same time benefiting from having Charles Sinclair as the chairman of the Remuneration committee.

Role of the board

The board is collectively responsible to the Company's shareholders for the long-term success of the Company. It meets regularly to set the overall strategic direction of the Company, to review its operating and financial performance and to provide oversight to ensure that the Company is effectively controlled and resourced, including consideration of risk on the foregoing.

To help it discharge these responsibilities and oversee control of the Company's affairs, the board has set out the specific business and governance matters which are reserved for its decision.

Matters requiring board approval include:

- annual and interim results and interim management statements;
- the Company's strategic and operating plans;
- the annual budget;
- appointments to the board and as Company Secretary;
- treasury policies;
- dividend recommendation;
- the issue of new shares;
- amendments to the Company's pension scheme;
- larger capital expenditure, acquisitions, disposals and investment proposals; and
- the overall system of internal control and risk management.

Certain specific responsibilities are delegated to the board committees, notably the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference, reporting regularly to the board.

Composition

At the date of this report, the board comprises eight directors:

Chairman
Charles Sinclair

Executive directors
George Weston (Chief Executive)
John Bason (Finance Director)

Non-executive directors
Tim Clarke
Javier Ferrán
Lord Jay
Peter Smith
Galen Weston

Galen Weston has resigned from his role as a non-executive director of the Company effective as at the close of the 2011 annual general meeting to be held in December.

With the exception of Galen Weston, the board considers that the non-executive directors are independent in character and judgement and that they are each free from any business or other relationships which would materially interfere with the exercise of their independent judgement. Galen Weston is not regarded as independent in view of his relationship with Wittington Investments Limited. Biographical and related information about the directors is set out on page 35.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the board to ensure that no one has unfettered powers of decision. The Chairman, Charles Sinclair, is responsible for the operation and leadership of the board, ensuring its effectiveness and setting its agenda. The Chief Executive, George Weston, is responsible for leading and managing the group's business within the authorities delegated by the board and the implementation of board strategy and policy.

Senior independent director

Tim Clarke is the Company's recognised senior independent director. The role of the senior independent director is to act as a sounding board for the Chairman and to serve as an intermediary for other directors where necessary. He is also available to shareholders should a need arise to convey concerns to the board which they have been unable to convey through the Chairman or through the executive directors. During the year, led by the senior independent director, the non-executive directors have met once without the presence of the Chairman. Tim Clarke, as senior independent director, is also responsible for leading the discussion on the annual appraisal of the performance of the Chairman.

The non-executive directors

The non-executive directors play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the board's decision-making. They each occupy or have occupied senior positions in industry or public life, bring a vital external view to the board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to board decision-making. The formal letters of appointment of non-executive directors are available for inspection at the Company's registered office (with the exception of the letter of appointment for Galen Weston, as explained above).

Re-election of directors

The board has decided that, in accordance with the Code's recommendations, all directors will be proposed for re-election at the 2011 annual general meeting to be held in December (with the exception of Galen Weston, who has resigned from his role as a non-executive director of the Company effective as at the close of that meeting).

Board meetings

The board held nine meetings during the year. Board meetings occasionally take place at the offices of the group's businesses and, during the year under review, one of the meetings took place at Primark in Germany. This gives the non-executive directors, in particular, the opportunity to develop their knowledge of the group and to consult with management and other employees. Non-executive directors may also make additional visits to our overseas businesses through the year. During the year under review, Peter Smith visited company operations in China where he had meetings with management at both British Sugar Overseas in Beijing and AB Mauri China in Harbin.

Senior executives below board level are invited, when appropriate, to attend board meetings and to make presentations on the results and strategies of their business units. Directors are generally provided with the papers for board and committee meetings a week in advance. This enables any director who is unable to attend to provide comments to the Chairman, the chairman of the relevant committee or the Company Secretary, who will then relay these comments to the relevant meeting.

The attendance of the directors at board and committee meetings during the year to 17 September 2011 is shown in the table below:

	Board	Audit committee	Nomination committee	Remuneration committee
Number of meetings	**9**	**4**	**1**	**3**
Charles Sinclair	9	–	1	3
George Weston	9	–	–	–
John Bason	9	–	–	–
Tim Clarke	9	4	1	3
Javier Ferrán	9	–	1	3
Lord Jay	8	4	1	3
Peter Smith	9	4	1	3
Galen Weston[1]	2	–	–	–

[1] Galen Weston was unable to attend a number of board meetings due to other business and personal commitments. However, he reviewed the relevant papers and provided comments to the Chairman as appropriate.

Information flow

The Company Secretary manages the provision of information to the board at appropriate times, in consultation with the Chairman and Chief Executive. In addition to formal meetings, the Chairman and Chief Executive maintain regular contact with all directors. The Chairman also holds informal meetings with non-executive directors, without any of the executives being present, to discuss any issues affecting the group, if thought necessary. To keep the non-executive directors informed of events throughout the group between board meetings, regular management updates are sent to each director. This seeks to ensure that the non-executive directors are always kept fully informed of the latest issues affecting the group.

Conflicts of interest procedure

The Company has procedures in place to deal with the situation where a director has a conflict of interest. As part of this process, the board:

- considers each conflict situation separately on its particular facts;
- considers the conflict situation in conjunction with the rest of the conflicted directors' duties under the Companies Act 2006;
- keeps records and board minutes as to authorisations granted by the board and the scope of any approvals given; and
- regularly reviews conflict authorisation.

The board has complied with these procedures during the year.

Summary of board business

Areas on which the board focused during the financial year included the following:

Strategy	Annual meeting given over to the review of group strategy.
Governance and risk	Approved the Company's full year and interim results. Made recommendations on the 2010 final dividend and approved the 2011 interim dividend. Reviewed, on a rolling basis, the effectiveness of the risk management process and the resources devoted to them by each business. Carried out an annual review of the material financial and non-financial risks facing the group's businesses. Reviewed the effectiveness of the board following the performance evaluation exercise. Reviewed and approved the Company's updated anti-bribery policy following the implementation of the UK Bribery Act 2010.
Performance monitoring	Reviewed regular reports to the board from the Chief Executive. Conducted post-acquisition appraisals for North China Sugar, Jordans Ryvita and Illovo Sugar. Approved the group budget for the 2011/2012 financial year. Received management presentations from various group businesses at each meeting, on a rolling basis. Received reports on meetings held with institutional investors.
Health, safety and environment	Received regular management reports on health, safety and environment issues.
People	Considered the succession of directors and first line reports.
Various	Undertook appropriate preparations for the holding of the annual general meeting. Meeting Primark management team and holding board meeting in Düsseldorf, Germany. Considered forthcoming reforms to pension legislation in the UK.

Board performance evaluation

An evaluation to assess the performance of the board as a whole, its committees and that of the individual directors is conducted on an annual basis with the aim of improving the effectiveness of the board and its members and the performance of the group.

This year's review was led by the Senior Independent Director, who provides feedback to the Chairman, and took place in the final quarter of the financial year.

A discussion guide was put together and circulated to each director and the Company Secretary. Key areas of the evaluation included:

- board structure, organisation and dynamics, including the environment for effective discussion, key board relationships and non-executive director involvement and challenge;
- board efficiency and effectiveness, including agenda content, quality of debate, decision-making process on significant proposals, and leadership by the Chairman;
- strategic review and debate;
- risk management and governance;
- people issues, including succession planning;
- business performance, including level and quality of reporting measures;
- board committees; and
- key issues and improvements.

There was also a particular focus on how much progress had been made in implementing the recommendations arising from the previous year's evaluation and how well the board is working in the context of the FRC's Guidance on Board Effectiveness issued in March 2011.

The Senior Independent Director then undertook a confidential, unattributable interview with each director and the Company Secretary based on the discussion guide. The interview with the Senior Independent Director was conducted by the Chairman. Following the meetings, the Senior Independent Director produced a written report which was discussed with each of the Chairman and the Chief Executive, before being sent to board members and discussed at the following board meeting.

There was a strong sense of progress in implementing proposals arising out of the 2010 evaluation.

Actions implemented arising from the 2010 evaluation include:

Objective	Achievement
Enhanced debate	The length of board meetings has been increased which has allowed more time for reflective debate and discussion, particularly after presentations to the board.
Review development of strategy	Strategy has become a more frequent item on the board agenda.
Greater scrutiny of risk assessment procedures	The Chairman instigated board agenda reforms which have led to more frequent review of cross-divisional issues and a regular cycle of risk reviews of specific areas leading to enhanced board oversight and understanding.

Based on the results of the evaluation process in 2011, the board considered that overall it was operating effectively and that each of the directors continues to make a valuable contribution with proper commitment to their respective roles, including of time. The board's principal committees were also judged to be functioning efficiently and effectively.

A full list of recommended action points was drawn up and agreed upon and is being implemented under the direction of the Chairman including actions set out in the table below.

Areas identified for action from the 2011 evaluation include:

Value creation	Review of investment returns from recent major projects to be a particular focus of board agendas.
Strategy development	Continuing review of priorities for long-term development opportunities.
Risk management	The amount of time devoted to risk issues on the board agenda to be increased.
Succession planning	Further development of succession planning processes including the issue of diversity.

2012 evaluation

The board intends to appoint an external facilitator to lead the 2012 annual evaluation of its performance and a shortlist of possible external facilitators is being drawn up for this purpose.

Board development

On joining the board, newly appointed directors are provided with a thorough induction programme, tailored to meet their needs, which includes background documents describing the Company and its activities. The Company offers major shareholders the opportunity to meet new directors.

Ongoing training and development is also provided to all directors at board and committee meetings. During the year under review, for example, the board was briefed on the following key issues:

- the impact of the Bribery Act 2010;
- health, safety and the environment; and
- pension reform in the UK.

Board committees

The board has established three principal board committees, to which it has delegated certain of its responsibilities. They are the Nomination committee, the Audit committee, and the Remuneration committee. The membership, responsibilities and activities of these committees are described later in this corporate governance report and, in the case of the Remuneration committee, in the Remuneration report on page 49. Membership of these committees is reviewed annually. Minutes of committee meetings are made available to all directors on a timely basis.

The full written terms of reference for the Nomination, Audit and Remuneration committees are available on the Company's website (www.abf.co.uk) and hard copies are available on request.

Engaging with shareholders

The Company is committed to increasing shareholder value and communicates its achievements and prospects to its shareholders in an accurate and timely manner. In addition to the annual general meeting, the Company communicates with its shareholders by way of the annual report and accounts, interim results with significant matters relating to the trading or development of the business disseminated to the market by way of Stock Exchange announcements and by press releases and postings on the Company's website.

The Company continues to promote effective engagement with its shareholders and, on behalf of the board, the Chairman, Chief Executive and Finance Director have met institutional shareholders and analysts on a regular basis throughout the year, to discuss the Company's operation. At each board meeting, the directors are briefed on shareholder meetings that have taken place and on the feedback received.

The senior independent director is available to shareholders in the event that communication with the Chairman, Chief Executive or Finance Director has failed to resolve concerns or where such contact is inappropriate.

The annual general meeting takes place in London. Formal notification is sent to shareholders approximately one month in advance and in any event at least 21 days before the meeting. Other general meetings may also be convened from time to time on at least 21 days' notice, or where certain requirements are met including prior approval by shareholders by way of special resolution, 14 days' notice. The annual general meeting gives shareholders an opportunity to hear about the general development of the business and to ask questions of the Chairman and, through him, the chairmen of the key committees and other directors. The practice has been for a short film to be shown at the meeting explaining a particular area of the group's business. Details of the meeting and the resolutions to be proposed together with explanatory notes are set out in the Notice of Meeting which is sent to shareholders. Any member attending the annual general meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, unless it is not in the interests of the Company or the good order of the meeting to do so, or if to do so would involve the disclosure of confidential information. Shareholders attending the meeting are advised of the number of proxy votes lodged for each resolution. All resolutions are voted on by poll and the results announced to the London Stock Exchange and posted on the Company's website.

Accountability and audit

The board is required by the UK Corporate Governance Code to present a balanced and understandable assessment of the Company's position and prospects. In relation to this requirement, reference is made to the statement of directors' responsibilities for preparing the financial statements set out on page 58 of this annual report and accounts.

The independent auditors' report on page 59 includes a statement by the auditors about their reporting responsibilities. The board recognises that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators, and information required to be presented by law.

Business model

The Operating review on pages 16 to 27 includes a description of the Company's business model for sustainable growth detailed for each division of the business. This provides an explanation of the basis on which the group generates value and preserves it over the long term and its strategy for delivering its objectives.

Going concern

After making enquiries the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly and in accordance with the guidance contained in the document titled 'Going Concern and Liquidity Risk: Guidance for Investors of UK Companies 2009' published by the FRC, they continue to adopt the going concern basis in preparing the annual report and accounts.

Nomination committee report

Members

During the year and at the date of this report:

Charles Sinclair (Chairman)
Tim Clarke
Javier Ferrán
Lord Jay
Peter Smith

Summary of responsibilities

In accordance with its terms of reference, the Nomination committee is responsible for:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the board and, if appropriate, making recommendations for changes to the board;
- leading the process for board appointment by identifying and nominating, for the board's approval, candidates to fill board vacancies as and when they arise;
- ensuring orderly succession planning as regards both the board and senior management appointments; and
- keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete efficiently in the marketplace.

The full terms of reference of the Nomination committee can be viewed on the Company's website (www.abf.co.uk).

Governance

The Nomination committee comprises a minimum of three members at any time, a majority of whom are independent non-executive directors. A quorum shall consist of the chairman of the board, together with not less than any two of the non-executive directors of the Company.

Executive directors, members of senior management and other parties may be invited to attend meetings as appropriate.

The Chairman does not chair the Nomination committee when it is dealing with the appointment of his successor. In these circumstances the committee is chaired by a non-executive director elected by the remaining members.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee retains external search consultants for appointments to the board.

The committee chairman reports the outcome of meetings to the board.

The committee's effectiveness is reviewed on an annual basis as part of the board's performance evaluation process.

Meetings

The committee met once during the year under review.

Key actions taken by the Nomination Committee during the year

The principal actions undertaken by the committee in the period under review are set out below.

The committee reviewed the time directors needed to fulfil their roles of Chairman, senior independent director and non-executive director and was satisfied, following the conducting of the annual board evaluation, that all members of the board are devoting sufficient time to their duties.

The committee reviewed what additional steps it could take to address concerns raised about creating a more diverse board. It was agreed that executive search agencies would be asked to ensure that half of the candidates they put forward are women. It was noted that the committee would continue to appoint on merit.

Audit committee report

Members

During the year and at the date of this report:

Peter Smith (Chairman)
Tim Clarke
Lord Jay

Summary of responsibilities

In accordance with its terms of reference, the committee is authorised by the board to:

- monitor the integrity of the group's financial statements and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgements contained in them before their submission to the board for approval;
- oversee the relationship with the group's external auditors, including reviewing their objectivity and independence, agreeing the scope of their work and fees paid to them for audit and non-audit services;
- monitor and review the role and effectiveness of the Company's internal audit function;
- review the internal control policies and procedures for the identification, assessment, managing and monitoring of financial risks; and
- oversee the group's whistleblowing arrangements.

The full terms of reference of the Audit committee are available on the Company's website (www.abf.co.uk).

Governance

The Audit committee comprises a minimum of three independent non-executive directors at any time. Two members constitute a quorum. Appointments are for a period of three years after which they are subject to annual review, extendable by additional three-year periods so long as members continue to be independent.

The committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent and relevant financial experience. Currently, the committee chairman fulfils this requirement. All committee members are expected to be financially literate and to have an understanding of the following areas:

- the principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Company's operations including corporate policies and the group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the group's businesses.

The committee invites the Group Finance Director, Group Financial Controller, Director of Financial Control and senior representatives of the external auditors to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the committee to discharge its duties.

During the year, the committee held three meetings with the external auditors without any executive member of the board being present.

The committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditors.

The committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The committee chairman reports the outcome of meetings to the board.

The committee's effectiveness is reviewed on an annual basis as part of the board's performance evaluation process.

Meetings
The Audit committee met four times during the year and has an agenda linked to events in the group's financial calendar.

Key committee activities during the year
In order to fulfil its terms of reference, the Audit committee receives and reviews presentations and reports from the group's senior management, consulting as necessary with the external auditors.

During the year, the committee formally reviewed draft interim and annual reports and associated announcements. These reviews considered:

- the accounting principles, policies and practices adopted in the group's financial statements and proposed changes to them;
- the integrity of the financial statements, including a review of important accounting issues, areas of complexity and significant financial reporting judgements;
- litigation and contingent liabilities affecting the group; and
- potential tax contingencies and the group's compliance with statutory tax obligations.

The committee is required to assist the board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the group's compliance with the UK Corporate Governance Code. To fulfil these duties, the committee reviewed:

- the external auditors' management letters and audit highlights memoranda;
- internal audit reports on key audit areas and significant deficiencies in the financial control environment;
- reports on the systems of internal financial controls and risk management; and
- reports on fraud perpetrated against the group.

The Audit committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditors for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditors whilst also ensuring that the auditors maintain the necessary degree of independence and objectivity. Consequently, any non-audit work to be undertaken by the auditors in excess of £300,000 is required to be authorised by the chairman of the Audit committee and the Group Finance Director prior to its commencement. Individual assignments of less than £300,000 are approved by the Group Finance Director. The aggregate expenditure with the group auditors is reviewed by the Audit committee.

Typically, the committee will approve the use of the external auditors to provide: accounting advice and training; employee benefit plan audits; corporate responsibility, IT and other assurance services; due diligence in respect of acquisitions and disposals; certain specified tax services including tax compliance, tax planning and related implementation advice; and certain other services when it is in the best interests of the Company to do so and they can be undertaken without jeopardising auditor independence. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any recruits hired directly from the external auditors must be pre-approved by the Group HR Director, and the Group Finance Director or Group Financial Controller.

The Audit committee has formally reviewed the independence of its auditors. KPMG Audit Plc have provided a letter confirming that they believe they remain independent within the meaning of the regulations on this matter and their professional standards.

To fulfil its responsibility regarding the independence of the external auditors, the Audit committee reviewed:

- changes in external audit executives in the audit plan for the current year;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditors.

To assess the effectiveness of the external auditors, the committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses evaluating the performance of each assigned audit team; and
- the report form the FRC's Audit Inspection Unit.

The Audit committee holds private meetings with the external auditors after each committee meeting to review key issues within their sphere of interest and responsibility.

To fulfil its responsibility for oversight of the external audit process, the Audit committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- the external auditors' overall work plan for the forthcoming year;
- the external auditors' fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the levels of errors identified during the audit; and
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

Although KPMG Audit Plc has been the Company's auditor for many years, KPMG periodically changes its audit partners at a group, divisional and country level in accordance with professional and regulatory standards in order to protect independence and objectivity and provide fresh challenge to the business. Such changes are carefully planned with KPMG to ensure that the Company benefits from continuity of staffing without incurring undue risk or inefficiency. Stephen Oxley, KPMG lead audit partner, has this year completed his five-year term allowable under auditing standards. The Audit committee has reviewed the proposed change and transition to a new lead partner for 2011/12. The committee has also noted the partner rotation arrangements at divisional level.

The Audit committee is satisfied with the auditors' effectiveness and independence and has not considered it necessary this year to conduct a tender process for the appointment of its auditors. Having carried out the review described above and having satisfied itself that the external auditors remain independent and effective, the Audit committee has recommended to the board that KPMG Audit Plc be reappointed as the Company's external auditor for 2011/12.

The total fees paid to KPMG Audit Plc for the year ended 17 September 2011 were £8.5m of which £3.3m related to non-audit work.

Internal audit function

The Audit committee is required to assist the board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of internal audit. To fulfil these duties, the committee reviewed:

- internal audit's reporting lines and access to the committee and all members of the board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution;
- statistics on staff numbers, qualifications and experience and timeliness of reporting;
- the level and nature of non-audit activity performed by internal audit; and
- changes since the last annual assessment in the nature and extent of significant financial risks and the group's ability to respond to changes in its business and the external environment.

The group's 'whistleblowing' policy contains arrangements for the Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit committee as appropriate.

The group's anti-fraud policy has been communicated to all employees and states that all employees have a responsibility for fraud prevention and detection. Any suspicion of fraud should be reported immediately and will be investigated vigorously.

The chairman of the Audit committee will be present at the annual general meeting to answer questions on this report, matters within the scope of the committee's responsibilities and any significant matters brought to the committee's attention by the external auditors.

Internal control

The board acknowledges its responsibilities for the group's system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the group's assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

Effective controls ensure that the group's exposure to avoidable risk is minimised, that proper accounting records are maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The dynamics of the group and the environment within which it operates are continually evolving together with its exposure to risk. The system is designed to manage rather than eliminate the risk of assets being unprotected and to guard against their unauthorised use and the failure to achieve business objectives. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors confirm that there is an ongoing process for identifying, evaluating and managing the risks faced by the group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report and accounts. They also confirm that they have regularly reviewed the system of internal controls utilising the review process set out below.

Standards

There are guidelines on the minimum groupwide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The board of each business is required to confirm bi-annually that it has complied with these policies and procedures.

High level controls
All operations prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at operational level and centrally, with variances being reported promptly. The cash position at group and operational level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures and delegated authority levels.

Internal audit
The group's businesses employ internal auditors (both employees and resources provided by Ernst & Young where appropriate) with skills and experience relevant to the operation of each business. All of the internal audit activities are co-ordinated centrally by the group's Director of Financial Control, who is accountable to the Audit committee.

All group businesses are required to comply with the group's financial control framework that sets out minimum control standards. A key function of the group's internal audit resources is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate. Internal audit also conducts regular reviews to ensure that risk management procedures and controls are observed. The Audit committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The committee reviews annually the adequacy, qualifications and experience of the group's internal audit resources and the nature and scope of internal audit activity in the overall context of the group's risk management system set out below. The Director of Financial Control meets with the chairman of the committee as appropriate but at least annually, without the presence of executive management, and has direct access to the Chairman of the board. He also meets at least annually with the Audit committee, without the presence of executive management.

Financial reporting
Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the board. They include a comprehensive set of financial reports and key performance indicators covering commercial, operational, environmental and people issues. Performance against budgets and forecasts is discussed regularly at board meetings and at meetings between operational and group management. The adequacy and suitability of key performance indicators is reviewed regularly. All chief executives and finance directors of the group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Principal risks and uncertainties

Each business is responsible for its own risk management assessment which is reported to the group's Director of Financial Control annually. Our decentralised business model empowers the boards and management of our businesses to identify, evaluate and manage the risks they face on a timely basis. Key risks and internal control procedures are reviewed at group level by the board.

We require all businesses to implement appropriate levels of risk management to ensure compliance with all relevant legislation, our group health, safety and environment policies, our overriding business principles and group policies relating to them, taking into account business needs and local circumstances.

Each business is responsible for regularly assessing its health, safety and environmental risks with managers, operators, contracting companies and specialist staff working together to identify hazards. Appropriate operational procedures and controls are put in place to mitigate risks and all employees are provided with appropriate information, training and supervision. Further details of our risk mitigation activities can be found in our Corporate Responsibility report at www.abf.co.uk/Our-principles-accordion.aspx.

The board reviews annually the material financial and non-financial risks facing our businesses and, on a rolling cycle basis, reviews the effectiveness of the risk management process and the resources that our individual businesses devote to them. The principal risks currently identified by our businesses and reviewed by the board are:

Issue	Risk	Mitigation
PEOPLE		
Product safety	Reputational damage caused by food hygiene or safety incidents. Non-compliance with regulatory requirements. Safety concerns over use of Bisphenol-A in packaging.	Food safety put before economic considerations. Consistently high standards maintained in sourcing and handling of raw materials and manufacturing. Food safety systems regularly reviewed for efficacy and compliance. Documented and tested product recall procedures regularly reviewed. New scientific research monitored proactively. Independent audit processes in place which provide a level of assurance on product safety. All sites have quality and food safety audits carried out by local quality control staff.
Health and nutrition	Health concerns over fat, sugar and salt content of foods. Inappropriate advertising to children.	Our recipes are regularly reviewed and reformulation is conducted as necessary to optimise the nutritional profile of products. Our UK Grocery group has signed the UK Government's 'Responsibility Deal on Public Health' and associated pledges to reduce salt, remove trans-fats and to promote healthy eating and lifestyle options to our employees. Guideline Daily Amount or equivalent nutritional information provided to consumers in the UK and Australia. Products marketed responsibly, following accepted codes of practice.
Workplace health and safety	Potential for fatal accidents and serious injuries to employees and visitors.	Group health and safety policy in place. Increased financial investment in health and safety management. Information and guidance provided to our businesses. Internal and external audits of health, safety and management reporting extended.
Employee rights	Non-compliance with internationally recognised standards. Inability to recruit and retain high calibre people at all levels necessary to achieve business performance targets and maintain profitable growth.	International Labour Organisation conventions are taken into account and we strive to observe the UN Universal Declaration of Human Rights in the management of all businesses. Staff throughout the group are recruited, trained and rewarded according to performance alone. Groupwide whistleblowing policy in place and kept under review.
Management succession	Failure to plan for succession to key roles could lead to a lack of management continuity and sub-optimal operational or financial performance.	Each business has a succession plan which is reviewed with group management twice a year, and with the board, annually. Development of our senior managers is co-ordinated by the Group HR Director and the Head of Executive Development. A small number of executive search companies have been briefed to introduce us to talented executives from other companies who could add value to the group.

Issue	Risk	Mitigation
PEOPLE		
Input costs, suppliers and supply chain reliability	Damage to brands caused by supply chain weakness e.g. poor conditions for workers. Disruption to raw material supplies and production caused by problems with suppliers, natural disasters and other incidents.	Extensive audit programme for labour standards of suppliers. Continued work, in partnership with suppliers and NGOs, to improve working conditions e.g. via training. Business continuity and disaster recovery planning regularly reviewed.
Ethical business practices	Penalties imposed or reputational damage suffered through bribery, corruption or unfair competition.	All group businesses required to sign up to the group's Business Principles and Anti-Bribery and Corruption Policy with training provided to all staff.
ENVIRONMENT		
Climate change	Long-term increase in energy prices. Physical threats to operations from climate change e.g. flooding. Altered weather patterns affecting crop productivity.	Compliance with the group's Environment Policy. Best available techniques employed to reduce energy consumption – statutory requirement for all sites subject to the EU's Pollution Prevention and Control regime. Own electricity generated where possible, e.g. through combined heat and power plants and use of bagasse (waste sugar cane fibre). Agricultural raw materials sourced from a wide range of geographical locations and suppliers. Substantial investment to improve environmental risk management and energy efficiency.
Air pollution	Unacceptable impact on environment and offence caused to local communities by emissions to air.	Plant and process changes assessed in advance before authorisation sought. As a minimum, comply with emission standards in country of operation.
Disposal of waste and waste water	Legal sanction and reputational damage because of non-compliance with regulations and licences.	Responsibility assigned to senior executives in all businesses and specialists employed. As a minimum, comply with standards in country of operation. Our UK Grocery group supports the Courtauld 2 Commitment to reduce packaging waste, the Food and Drink Federation 'Fivefold Environmental Ambition' and the Institute of Grocery Distribution Water Savings Initiative. Waste reduced, re-used or recycled wherever practicable.
Water availability	Water shortages and increased cost of water.	Water-intensive sites in areas of water stress identified, and efforts focused on water reduction in these areas. Investing heavily in the quality of our water usage data to enable improved monitoring and management of our water use.
Resource efficiency	Unnecessary costs from inefficient use of natural resources.	Use of raw materials optimised. Packaging waste minimised consistent with food safety and product protection. Fuel consumption in transport minimised.
Palm oil	Reputational damage from unsustainable sourcing of palm oil.	Group policy introduced to buy all palm oil from sustainable sources by 2015.
Genetically modified (GM) crops	Consumer concern over use of GM food ingredients.	Recognised as a sensitive issue for some consumers and trends monitored by market.

Issue	Risk	Mitigation
FINANCIAL AND REGULATORY		
Competition rules	Penalties for failing to comply with the 1998 Competition Act, the 2003 Enterprise Act, relevant EU law and all relevant competition legislation.	Clear policy direction and close support from specialist in-house legal department. Compulsory awareness training.
Global economic slowdown and changing consumer demand	Demand for our products declines due to uncertainty over economic outlook and impact on disposable incomes.	Mitigated by diversity of business portfolio and geographic reach. Substantial investment in research and development, product quality, advertising and promotion, and focus on cost management.
Financial, currency and commodity risks	Loss sustained as a result of failure of internal controls or fraud, and exposure to foreign currencies, interest rates, counterparty credit risk, liquidity risk, and changes in market prices especially for energy and commodities.	Adherence to the group's financial control framework and Anti-Fraud Policy. Treasury operations are conducted within a framework of board-approved policies and guidelines. Sufficient funding is maintained by way of external loans and committed bank facilities which are renewed or extended on a timely basis having regard to the group's projected funding needs. Financial transactions are dealt through financial institutions with a credit rating of A or better. Details of the group's accounting and risk management policies with respect to financial instruments and associated quantitative and qualitative disclosures are set out in note 24 on pages 93 to 104.
Tax compliance	Failure to comply with local tax law resulting in underpayment of tax and exposure to related interest and penalties.	The group has a financial control framework and a board-adopted Tax Policy requiring all businesses to comply fully with all relevant local tax law. In-house tax specialists are employed and local external tax advisor support is taken as appropriate. Provision is made for known issues based on management's interpretation of country-specific tax law and the likely outcome. Any interest and penalties on tax issues are provided for in the tax charge. 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.
Loss of a major site	The loss of one of our key sites could present significant operational difficulties.	Our businesses have business continuity plans in place to manage the impact of such an event and group insurance programmes to mitigate the financial consequences.
Regulatory and political	Failure to recognise political or cultural differences in the many countries in which we operate could directly impact the success of our operations.	We remain vigilant to future changes and the increased risk presented by emerging markets. We engage with governments and NGOs to ensure the views of our stakeholders are represented and we try to anticipate, and contribute to, important changes in public policy. Our financial control requirements are consistently applied wherever we operate.
Major capital projects and acquisitions	Risk of overspending initial cost estimates, overrunning construction timelines and failure to meet design specifications.	All major projects are managed by dedicated teams who work in close liaison with business management. Project plans are reviewed and approved by group management and, for larger projects, by the board. Updates on progress are provided throughout the project.

1. Introduction

This report sets out the policy and disclosures on directors' remuneration as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 issued under the Companies Act 2006 ('the Act'). In accordance with the Act, a resolution to approve this report will be proposed at the forthcoming annual general meeting of the Company. The vote will have advisory status in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration. KPMG Audit Plc has audited the report to the extent required by the Act, being the sections entitled 'Directors' remuneration', 'Long-term incentives' and 'Directors' pensions'.

2. The Remuneration committee

The Remuneration committee is responsible to the board for determining the remuneration policy for executive directors, together with the specific terms and conditions of employment of each individual director, and for reviewing the overall policy for executive remuneration.

Committee composition

The Remuneration committee currently consists of five non-executive directors. The members of the committee who held office during the year and at the date of this report are:

Charles Sinclair (chairman)
Tim Clarke
Lord Jay
Javier Ferrán
Peter Smith

Consultants

The Remuneration committee has retained Towers Watson to provide independent market information and remuneration advice. Towers Watson does not provide any other consulting services to the Company.

In addition to Towers Watson, the following people provided material advice or services to the committee during the year:

George Weston, Chief Executive
Des Pullen, Group HR Director

George Weston did not advise in respect of his own remuneration. The Group HR Director and Towers Watson provided support and liaison throughout the year.

3. Directors' remuneration policy

The remuneration policy of the Company aims to:

- provide alignment between remuneration and the Company's business objectives;
- align executive rewards with shareholder value;
- attract and retain high-calibre executive directors;
- motivate executive directors to achieve challenging performance levels and reward them for so doing;
- recognise both individual and corporate achievement; and
- reflect the diversity of the group's interests.

The remuneration of executive directors is determined by the Remuneration committee taking into account group performance, individual performance and competitive market practice as well as the pay and conditions of the group's UK employees. The total annual remuneration of executive directors comprises base salary, a cash bonus, shares granted under a long-term incentive scheme, pension provisions and other benefits.

The Remuneration committee continues to believe that a substantial element of compensation should be 'at risk' in order to reward and drive performance and to align better the interests of executives with those of shareholders. Having last reviewed executive remuneration in 2010, the proportion of variable pay in the form of annual performance bonus and long-term incentives compared to base salary for executive directors was increased in 2010/11 from 1.3 to 1, to 1.6 to 1 for 'on-target' performance, by making increases to the expected value of long-term incentive awards. No further increase in incentive awards is proposed for 2011/12.

First line reports to the Chief Executive and other senior executives are also rewarded within the same overall remuneration policy as executive directors, in order to ensure commonality across the group. Other executives therefore participate in incentive arrangements similar to those of the executive directors, but with lower levels of potential payout.

In line with the increases to variable pay for executive directors, from the start of 2010/11 the proportion of variable pay to base salary for first line executives was increased from around 0.8 to 1, to around 1 to 1 for 'on-target' performance. No further changes to incentive yields or structures are proposed for 2011/12.

Base salary

Base salaries are paid to individuals for delivering a fully competent level of performance, and are reviewed in relation to median market data for comparable companies in terms of size, market sector and complexity. Other considerations are individual experience, performance and scope of responsibility. Base salaries are normally reviewed on an annual basis or following a significant change in responsibilities.

Annual performance bonus

Executive directors and other senior executives are eligible to participate in an annual cash-based bonus scheme with payments based on the achievement of stretching financial targets and personal performance assessed against individual short and medium-term objectives. Financial targets for all executives are set on a business-by-business basis and reflect what can be directly influenced and the area of work for which each executive is accountable. Adjusted operating profit and working capital were chosen as the prime financial measures as they are common metrics which are used on a day-to-day basis to drive and monitor performance within the group.

At the start of the financial year, budgeted operating profit is set as the 'on target' performance level, and the Remuneration committee determines the range of operating profit at which minimum and maximum incentive payouts will be made. Similarly, the target and range for working capital as a percentage of sales is determined at the start of the financial year. This metric is used as a multiplier to the bonus achieved for adjusted operating profit, whereby that bonus can be enhanced or reduced by up to 20%.

The maximum annual performance bonus opportunity for executive directors in 2010/11 was 150% of base salary. Of that 150%, up to 20% of base salary may be paid for achievement of specific personal objectives and up to 130% of base salary may be paid for achievement of financial results as outlined above. 'On target' performance yields a bonus of around 78% of base salary.

The Remuneration committee regularly reviews the annual performance bonus plans for both executive directors and for other groups of executives below board level. No changes have been made to the arrangements for executive directors since September 2008. However, from the beginning of 2010/11 the maximum annual performance bonus yields for other groups of executives was increased by an average of 15% of base salary, so as to ensure that remuneration packages remained at a level sufficient to attract and retain high-calibre individuals.

Long-term incentives

Long-term incentives are paid in shares to reward long-term business growth and to promote executive retention. The Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan') was established following shareholder approval at the 2003 annual general meeting. This plan provided for long-term awards of up to 150% of base salary to be made in the form of conditional allocations of shares, subject to agreed performance targets being satisfied over a specified three-year period.

Since 2006, annual allocations of conditional shares have been made to executive directors and other senior executives, thereby creating a series of overlapping three-year performance periods. The first four allocations to executive directors had a maximum face value of 125% of base salary. In December 2010, following agreement from shareholders at the annual general meeting, the maximum grant level under the Share Incentive Plan was increased to 200% of base salary. This increase was to ensure that long-term incentive plan opportunities remain competitive and commensurate with the increased size, complexity and international reach of the organisation. For the fifth allocation of shares (2010/13 LTIP), the maximum face value for executive directors was 200% of base salary. No further changes are planned at the present time.

Group performance for the Share Incentive Plan is measured against an absolute range of 5% to 11% compound annual growth in adjusted earnings per share. Adjusted earnings per share remains the measure chosen for long-term group incentives because:

- it reflects the group's objective of sustained long-term earnings growth;
- it is a measure which is well understood both by participants and shareholders;
- it is a published figure with limited adjustments; and
- it encompasses the diverse nature of the group.

An absolute, rather than a relative measure is used as the group is a global business for which UK inflation factors are of limited impact.

Other financial measures have been considered, but found to be unhelpful or inappropriate. Measures which require testing against a group of companies, for example, relative TSR, are difficult to use given the problem of finding appropriate comparator companies. Cash flow or return measures have been considered, but these are to some extent already encompassed within the earnings per share measure, are likely to require many adjustments over a three-year period, and may reward volatility and thus detract from a direct growth measure.

For the three financial years from September 2006 to September 2009 the compound annual growth in adjusted earnings per share was 4.27%. As the group target was not met, no shares were released to executive directors for the 2006/09 scheme. For the three-year performance period ended September 2010, the compound annual growth was 10.92%, resulting in a release of 99.12% of the shares allocated in 2007. Compound annual growth in adjusted earnings per share over the past three financial years is 10.46%. Therefore, in November 2011 executive directors will receive 83.8% of the conditional shares allocated in 2008.

Long-term incentives for executives with divisional responsibility are largely measured against adjusted operating profit and working capital targets, set by reference to the business for which each executive is directly responsible. The long-term share awards for these executives therefore depend on the level of performance achieved in each business. In 2011, 68 senior executives, excluding the executive directors, representing 85% of all eligible participants, will receive a release of shares in November.

The executive directors' interests in shares under the Share Incentive Plan are as follows:

	Award date	Market price at date of award (p)	End of performance period	Vesting date	Shares vested during the year	Market price at date of vesting (p)	Value vested £	Conditional allocations of shares as at 18.09.10	Conditional allocations of shares as at 17.09.11
George Weston	21.11.07	905.85	18.09.10	22.11.10	102,586	1070.1	1,097,773	103,494	0
	21.11.08	656.00	17.09.11	21.11.11	–	–	–	157,203	157,203
	23.11.09	833.50	15.09.12	23.11.12	–	–	–	128,974	128,974
	20.12.10	1076.00	14.09.13	23.11.13	–	–	–	–	162,268
John Bason	21.11.07	905.85	18.09.10	22.11.10	70,990	1070.1	759,664	71,618	0
	21.11.08	656.00	17.09.11	21.11.11	–	–	–	104,802	104,802
	23.11.09	833.50	15.09.12	23.11.12	–	–	–	86,608	86,608
	20.12.10	1076.00	14.09.13	23.11.13	–	–	–	–	108,922

New share grant
Under the current terms of the Share Incentive Plan, the sixth allocation of conditional shares will be made on or after 23 November 2011 for the performance period September 2011 to September 2014. The Remuneration committee has reviewed the performance criteria and has determined that this allocation will again be measured against an absolute range of 5% to 11% compound annual growth in adjusted earnings per share.

In setting long-term targets, the Remuneration committee has taken into account the volatility present in many of the markets in which the group operates, as well as the scale of investments made in the pursuit of long-term growth. The Remuneration committee believes that the 5% to 11% compound annual growth range remains achievable but stretching over the next three-year period. When the LTIP arrangements were amended in 2006 and annual share allocations were introduced, the new Share Incentive Plan was designed to pay out an average of around 50% of the maximum long-term incentive plan opportunity each year over time. Given the results of the LTIP scheme to date and the internal forecasts for the next few years, the Remuneration committee believes that this 'on target' expectation is achievable, and should provide a fair incentive for executives.

Shareholding requirement
In 2010, at the same time as approving increases to the maximum grant levels under the Share Incentive Plan, the Remuneration committee also agreed that those executives who most closely influence the sustained long-term growth of the Company should be required to demonstrate their commitment to the Company by aligning their personal interests to the success of the group and its shareholders. Consequently, from the beginning of the 2010/11 financial year, executive directors and all first line reports to the Chief Executive are expected to build up a shareholding in the Company to a value at least equal to their pre-tax base salary. In order to achieve this target, executives will be required to retain at least 50% of any post-tax shares vesting each year from 2013, until such time as the appropriate level of shareholding has been reached and then to manage their shareholding in such a way as to continue to meet the requirement.

Other executives participating in the Share Incentive Plan are now encouraged to build up a beneficial interest in the Company, but are not required to do so. No further changes are planned at the present time.

Share option plans
The Company historically operated two share plans: The Associated British Foods plc 1994 Share Option Scheme and The Associated British Foods 2000 Executive Share Option Scheme. During the year two senior executives exercised options which were outstanding under the 2000 Scheme. As at the date of this report no share options are held under either of these two schemes. The Remuneration committee has reserved the right to grant share options under either of these two schemes in special circumstances, but there are currently no proposals to award any such share options.

4. Directors' remuneration

Executive directors
Executive directors' salaries were reviewed on 1 December 2010 in accordance with normal policy. George Weston's salary was increased by 4.8% to £915,000 per annum to bring it in line with other fully experienced chief executives in similar FTSE 100 companies. John Bason's salary was increased by 2.7% to £602,000 per annum in line with average increases for UK executives across the Group.

Executive directors' salaries are next subject to review on 1 December 2011.

There will be a below target payout to executive directors in respect of the financial element of the annual bonus for the 2010/11 financial year. This reflects the performance of the group in a difficult trading year when adjusted operating profit was below budgeted expectations.

The maximum payout opportunity in respect of the personal element of the annual bonus is 20% of base salary, around 13% of the total annual bonus. Actual bonuses to be paid to each of the executive directors for the personal element are based on an assessment of their individual performance against specific objectives for the 2010/11 financial year. The Remuneration committee has determined that George Weston will receive a personal element of 13.1% and John Bason 13.5% of base salary for this element of the annual bonus.

Executive directors are also entitled to the provision of a fully expensed company car, private medical insurance, life assurance, home and mobile telephone costs and the reimbursement of reasonable business expenses. The taxable value of these benefits is included in the table of directors' remuneration on page 52.

Non-executive directors
The board reviews non-executive directors' fees periodically in the light of fees payable in comparable companies and the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Fees are paid on a per annum basis and are not varied for the number of days worked.

Following a board evaluation and fee review in 2010, fees were increased from 1 December 2010. The non-executive Chairman is paid an annual fee of £335,000 per annum. The current fee for a non-executive director is now £60,000 per annum, and the chairman of the Audit committee and the Senior Independent Director are each paid an additional fee of £12,500 per annum.

Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees.

The remuneration paid to all directors for the year to 17 September 2011 was as follows:

	Salary or fees £000	Annual bonus[2] £000	Benefits in kind £000	Other benefits £000	Total benefits £000	**2011 total £000**	2010 total[1] £000
Non-executive directors							
Charles Sinclair	327	–	–	–	–	**327**	305
Galen Weston	–	–	–	–	–	**–**	–
Tim Clarke	70	–	–	–	–	**70**	65
Lord Jay	58	–	–	–	–	**58**	55
Javier Ferrán	58	–	–	–	–	**58**	55
Peter Smith	70	–	–	–	–	**70**	65
Executive directors							
George Weston	885	438	1	13	14	**1,337**	2,147
John Bason	578	290	3	13	16	**884**	1,437

[1] Salaries and fees reflect a 53 week year in 2009/10
[2] 2010/11 bonus will be paid in December 2011 for the financial year 2010/11

5. Directors' pensions

The Remuneration committee aims to ensure that retirement benefits are in line with best practice standards adopted by major companies in continental Europe and the United Kingdom.

The Company provides a final salary, defined benefit arrangement for executives who were employed before the scheme was closed to new entrants in October 2002. Executives employed after this date benefit from defined contribution arrangements. Both schemes are designed to provide retirement benefits of around two thirds of final pensionable salary at normal retirement age and are HM Revenue & Customs (HMRC) approved.

Over the past year the Remuneration committee has been following governmental proposals relating to the taxation of pensions and the potential impact that any proposals will have on high earners. Having reviewed the situation, the Company has now introduced flexible accrual and contribution options to enable executives to mitigate their tax liabilities.

The executive directors were both members of the defined benefit scheme, but opted out of this scheme on 5 April 2006, and since then have earned benefits in the Employer Financed Retirement Benefit Scheme (EFRBS). The EFRBS is unregistered, but is designed to broadly mirror the provisions of the final salary, defined benefit arrangements.

Directors' pension disclosure for year ended 17 September 2011

The table below shows both the defined benefit pension entitlements from the ABF Scheme and EFRBS where appropriate, of executive directors of Associated British Foods plc who were members of the ABF Scheme during the year ended 17 September 2011.

Pension entitlements and corresponding transfer values increased as follows during the year:

	Increase in accrued pension £000 pa (A)	Increase in accrued pension net of inflation £000 pa (B)	Total accrued pension at 17.09.11 £000 pa (C)	Director's contributions during period £000 (D)	Value of net increase in accrual over period £000 (E)	Value of accrued pension at 17.09.11 £000 (F)	Value of accrued pension at 18.09.10 £000 (G)	Total change in value during period £000 (H)
George Weston	33	16	373	19	109	3,787	3,503	265
John Bason	23	14	209	19	175	3,406	2,995	392

Notes:
1. Pension accruals (A) and (C) are the amounts which would be paid annually on retirement based on service to the end of the year, or earlier retirement.
2. The pension values (E), (F) and (G) are transfer values calculated in accordance with Occupational Pension Schemes (Transfer Values) Regulations 2008.
3. The increase in accrued pension net of inflation (B) uses a CPI based inflation figure as opposed to the previous years which were based on RPI.
4. The value of net increase in pension (E) represents the incremental value to the director of his pension benefits during the year, resulting from additional service and increases in salary. It is based on the increase in accrued pension net of inflation (B) after deducting the director's contribution during the year (D).
5. Both directors opted out of the ABF Scheme on 5 April 2006, and since then have earned benefits in the Employer Financed Retirement Benefit Scheme (EFRBS). The figures shown represent the aggregate of benefits in the ABF Scheme and the EFRBS.
6. Voluntary contributions paid by directors and resulting benefits are not shown.
7. Pension benefits include a 50% spouse's pension. Pensions are guaranteed to increase in line with RPI limited each year to 5% (2.5% for benefits accrued post 1 January 2008). Additional discretionary increases to pensions in payment have been granted in the past.
8. There are no special provisions to provide for unreduced pensions in the case of either early retirement or severance.

6. Company's financial results

At close of business on 16 September 2011, the last trading day before the end of the financial year, the market value of the Company's ordinary shares was 1118p. During the previous 12 months the price ranged from 940p to 1182p.

7. Performance review

The performance graph illustrates the performance of the Company over the past five years from September 2006 to September 2011, in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

Year-on-year TSR – ABF v FTSE 100 (2006 = 100)

8. Directors' service contracts

It is the Company's policy that all executive directors have rolling contracts with 12-month notice periods and that, with the exception of Galen Weston, all non-executive directors have rolling contracts with 6-month notice periods.

The board has not considered it appropriate to enter into a formal letter of appointment with Galen Weston in view of his relationship with the ultimate holding company of Associated British Foods plc, Wittington Investments Limited. He receives no fees for performing his role as a non-executive director and Associated British Foods plc does not reimburse him for any expenses incurred by him in that role.

The Company's Articles of Association require that all directors retire from office if they have not retired at either of the preceding two annual general meetings. In any event, at this year's AGM, all directors are standing for re-election in compliance with the UK Corporate Governance Code (with the exception of Galen Weston, who has resigned from his role as a non-executive director of the Company effective as at the close of the 2011 annual general meeting). Details of the contracts of service of directors who served during the year ended 17 September 2011 are set out below:

	Date of appointment	Effective date of current contract	Notice period from Company	Notice period from director	Unexpired portion of service contract
Charles Sinclair	01.10.08	21.04.09	6 months	6 months	Rolling contract
George Weston	19.04.99	01.06.05	12 months	12 months	Rolling contract
John Bason	04.05.99	16.03.99	12 months	12 months	Rolling contract
Tim Clarke	03.11.04	03.11.04	6 months	6 months	Rolling contract
Lord Jay	01.11.06	01.11.06	6 months	6 months	Rolling contract
Javier Ferrán	01.11.06	01.11.06	6 months	6 months	Rolling contract
Peter Smith	28.02.07	28.02.07	6 months	6 months	Rolling contract

The Remuneration committee takes the view that the entitlement of the executive directors to 12 months' notice of termination of employment is in line with the practice of many comparable companies. Executive directors' service contracts also provide for payment in lieu of notice at the Company's discretion.

The Remuneration committee's aim is always to deal fairly with cases of termination whilst taking a robust line in minimising any compensation. The Remuneration committee has given due consideration to the recommendations contained in the UK Corporate Governance Code regarding inclusion of explicit provisions in directors' service contracts for compensation commitments in the event of early termination. The Remuneration committee will continue to keep under review its current practice, which is not to include such provisions in order to enable it to respond appropriately to particular circumstances. In such situations, the Remuneration committee will consider the appropriate use of mitigation.

9. Directors' interests

The directors of the Company as at 17 September 2011 had the following interests in the shares of the Company notifiable to the Company under the Disclosure and Transparency Rules.

	As at 17 September 2011	As at 18 September 2010
Charles Sinclair		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**12,760**	12,760
George Weston		
Wittington Investments Limited, ordinary shares of 50p	**2,367**	5,209
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**3,261,340**	3,211,283
John Bason		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**55,001**	20,028
Galen Weston		
Wittington Investments Limited, ordinary shares of 50p	**37,953**	37,953
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**5,672,560**	5,672,560
Tim Clarke		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**4,000**	4,000
Lord Jay		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**500**	100
Javier Ferrán		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**2,400**	500
Peter Smith		
Associated British Foods plc, ordinary shares of $5\frac{15}{22}$p	**2,000**	2,000

In addition to the above, George Weston and John Bason were allocated a conditional grant of shares under the Share Incentive Plan on 20 December 2010, details of which are shown on page 50.

The interests above remained the same at 8 November 2011.

10. Executive directors serving as non-executive directors

The Remuneration committee has determined that executive directors serving as non-executive directors of other companies may retain any fees earned.

During the year, George Weston served as a non-executive director of Wittington Investments Limited for which he received no compensation. John Bason was appointed a non-executive director and chairman of the Audit committee of Compass Group plc on 21 June 2011, for which he received a total fee of £25,000 in the 2010/11 financial year. He also served as a trustee of Voluntary Service Overseas and as deputy chairman of the charity FareShare, but received no compensation in respect of either of these roles.

11. Compliance statement

In compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the auditable part of the Remuneration report comprises the sections entitled 'Directors' remuneration' on page 51, 'Directors' pensions' on page 52, and 'Long-term incentives' on page 50, including the table on that page.

By order of the board
Paul Lister
Company Secretary
8 November 2011

Business review

The Companies Act 2006 requires the Company to set out in the Directors' report a fair review of the business of the Company during the financial year ended 17 September 2011 including an analysis of the position of the business at the end of the financial year and a description of the principal risks and uncertainties facing the Company (the 'Business review'). The purpose of the Business review is to enable shareholders to assess how the directors have performed their duties under section 172 of the Companies Act 2006, being the duty to promote the success of the Company. The information that fulfils the requirements of the Business review can be found in the following sections of this report:

- Chairman's statement on pages 4 and 5;
- Our group at a glance on pages 2 and 3;
- Operating review on pages 16 to 27, which includes a review of the external environment, key strategic aims and performance measures;
- Financial review on pages 28 and 29;
- Corporate responsibility on pages 30 to 33;
- Principal risks and uncertainties are described on pages 46 to 48;
- details of the principal operating subsidiaries are set out on page 106; and
- information on essential contracts or arrangements on page 57.

Principal activities

The activities of the group principally concern the processing and manufacture of food worldwide and textile retailing in the UK and continental Europe. Comments on the development of the business during the period under review and on the future outlook are contained within the Chairman's statement on pages 4 and 5 and the Operating review on pages 16 to 27.

The Company is the holding company for the Associated British Foods plc group ('the group'). Details of the principal operating subsidiaries are set out on page 106.

The audited financial statements of the group and Company appear on pages 60 to 112.

Results and dividends

The consolidated income statement is on page 60. Profit for the financial year attributable to equity shareholders amounted to £541m.

The directors recommend a final dividend of 16.85p per ordinary share, to be paid, if approved, on 13 January 2012 which, together with the interim dividend of 7.9p per share paid in July, amounts to 24.75p for the year. Dividends are detailed on page 76.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the group.

The Company has a major technical centre in the UK at the Allied Technical Centre. Facilities also exist at ACH Food Companies in the US, Weston Technologies and AB Mauri in Australia and the Netherlands, and AB Enzymes in Germany. These centres support the technical resources of the trading divisions in the search for new technology and in monitoring and maintaining high standards of quality and food safety.

Charitable and political donations

Contributions to charitable organisations by the group during the year totalled £2.7m (2010 – £2.8m). No political donations were made during the year.

Financial instruments

Details of the group's use of financial instruments, together with information on our risk objectives and policies and our exposure to price, credit, liquidity, cash flow and interest rate risks, can be found in note 24 on pages 93 to 104.

Payments to suppliers

The Company has no material trade creditors but has a group policy on payment of suppliers set out in its business principles which states that the group settles its bills promptly, being a signatory to the Prompt Payment Code. Suppliers are made aware of the terms of this policy. Further information concerning this Code, and copies of it, can be found at www.promptpaymentcode.org.uk.

Employees

Employees are the group's most important resource, and it therefore abides by the following principles:

- equal opportunities – it is committed to offering equal opportunities in recruitment, training, career development and promotion to all people, including those with disabilities, having regard for their particular aptitudes and abilities. As a matter of policy, full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the group an opportunity for retraining and for continuation in employment. It is group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees;
- health and safety – health and safety are considered as equal in importance to that of any other function of the group and its business objectives. The policy and a full global report is available on the Company's website at www.abf.co.uk;
- harassment – the group will not tolerate sexual, mental or physical harassment in the workplace. It expects incidents of harassment to be reported to the appropriate human resources director;
- human rights – managers must take account of the core International Labour Organization labour conventions and strive to observe the UN Universal Declaration of Human Rights, by respecting the dignity and human rights of its employees and in particular as stated below:

  "Universal respect for an observance of human rights and fundamental freedoms for all without discrimination as to race, sex, language or religion".

  It remunerates fairly with respect to skills, performance, its peers and local conditions.

- Communication – the group will brief and consult employees and their representatives on all relevant matters on a regular basis in order to take their views into account with regard to decision-making and to achieve a common awareness of all the financial and economic factors affecting the performance of the group. Information relevant to the employees will be provided systematically to employees.
- Security – the security of our staff and customers is paramount and the group will at all times take the necessary steps to minimise risks to their safety.

Property, plant and equipment

The group's property, plant and equipment are included in the financial statements at depreciated historic cost. The properties are employed in the business and many of them were acquired when market values were substantially lower than at present. The directors consider that a surplus over book value exists, but have not quantified the excess.

Substantial shareholding and controlling interest

Details of a controlling interest in the shares of the Company are given in note 28 on page 106.

No other interests have been disclosed to the Company in accordance with Disclosure and Listing Rule 5 either during the year under review or as at 1 November 2011.

Power to issue shares

At the last annual general meeting, held on 10 December 2010, authority was given to the directors to allot unissued relevant securities in the Company up to a maximum of an amount equivalent to two thirds of the shares in issue (of which one third must be offered by way of rights issue). This authority expires on the date of the annual general meeting to be held on 9 December 2011. No such shares have been issued. The directors propose to renew this authority at the annual general meeting to be held on 9 December 2011 for the following year.

A further special resolution passed at that meeting granted authority to the directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the 2011 annual general meeting and the directors will seek to renew this authority for the following year.

Power to purchase own shares

The Companies Act 2006 empowers the Company to purchase its own shares subject to the necessary shareholder approval. The Company has no existing authority to purchase its own shares.

Directors

The names of the persons who were directors of the Company during the financial year and as at 8 November 2011 appear on page 35. All directors are standing for re-election at this year's annual general meeting in December (with the exception of Galen Weston, who has resigned from his role as a non-executive director of the Company effective as at the close of that meeting).

Appointment of directors

The Company's Articles of Association (the 'Articles') give the directors power to appoint and replace directors. Under the terms of reference of the Nomination committee, any appointment must be recommended by the Nomination committee for approval by the board of directors. A person who is not recommended by the directors may only be appointed as a director where details of that director have been provided at least seven and not more than 35 days prior to the relevant meeting by at least two members of the Company.

The Articles also require directors to retire and submit themselves for election at the first annual general meeting following appointment and all directors who held office at the time of the two preceding annual general meetings, and in any event not less than one third of the relevant directors (excluding those directors who retire other than by rotation), to submit themselves for re-election. However, it is the board's intention that all directors will stand for re-election at the annual general meeting this year in compliance with the UK Corporate Governance Code (with the exception of Galen Weston, who has resigned from his role as a non-executive director of the Company effective as at the close of that meeting).

Power of the directors

The directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. As indicated above, powers relating to the issuing of shares are also included in the Articles and such authorities are renewed by shareholders at the annual general meeting each year.

Articles of Association

The Articles themselves may be amended by special resolution of the shareholders.

Directors' indemnities

Three directors of operating subsidiaries benefited from qualifying third-party indemnity provisions provided by the Company's wholly owned subsidiary, ABF Investments plc, during the financial year and at the date of this report.

Significant agreements

The group has contractual arrangements with many parties including directors, employees, customers, suppliers and banking groups. The following arrangements are considered to be significant in terms of their potential impact on the business of the group as a whole:

- the group has a number of borrowing facilities provided by various banking groups. These facility agreements generally include change of control provisions which, in the event of a change in ownership of the Company, could result in their renegotiation or withdrawal. The most significant agreements are the £1.15bn syndicated loan facility which was signed on 13 July 2010 and under which £438m was drawn down at the year end and the £120m Finance Contract from the European Investment Bank which was signed on 5 December 2007 and under which £120m was drawn down at the year end.

- in addition to these bank facilities, in March 2009 the Company issued US$610m of private placement notes to institutional investors. In accordance with the scheduled maturities, no repayment of these notes had taken place by the year end. In the event of a change in ownership of the Company, the Company is obliged to make an offer of immediate repayment to the note holders; and
- in September 2010, the group entered into contracts for the supply to the UK business of electricity and gas.

These agreements include provisions which, in the event of a change of control of the Company, could result in the agreement being altered or terminated.

Essential contracts or arrangements

Individual companies in the group have contractual and other arrangements with many third parties in support of the group's business activities. Such contracts and arrangements may be deemed essential to one or more operating companies but there are no contracts or arrangements considered to be essential to the group as a whole, save that British Sugar has a contract with the National Farmers' Union, the Inter-Professional Agreement. This consists of approximately 4,000 identical but individual contracts with sugar beet growers.

Further information

Further information that fulfils the requirements of Part 6 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and which should be treated as forming part of this report by reference are included in the following sections of the annual report:

- details of the structure of the Company's share capital and the rights attached to the Company's shares set out on page 89; and
- details of share schemes set out on pages 91 and 92, including the voting policy of the trustee of a trust holding ordinary shares of the Company.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For these purposes, relevant audit information means information needed by the Company's auditors in connection with the preparation of their report on page 59.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Directors' responsibility statement

- 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 of 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 16 to 27, which includes a review of the external environment, key strategic aims, future development and performance measures;
  3. Financial review on pages 28 and 29;
  4. Other disclosures: 'Research and development';
  5. Other disclosures: 'Financial instruments';
  6. Other disclosures: 'Property, plant and equipment';
  7. Other disclosures: 'Power of the directors'; and
  8. Other disclosures: 'Principal risks and uncertainties'.

On behalf of the board

Charles Sinclair
Chairman

George Weston
Chief Executive

John Bason
Finance Director
8 November 2011

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Remuneration report and Corporate governance report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Associated British Foods plc

We have audited the financial statements of Associated British Foods plc for the 52 week period ended 17 September 2011 set out on pages 60 to 112. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the Company's affairs as at 17 September 2011 and of the group's profit for the period then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 40, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Stephen Oxley
for and on behalf of KPMG Audit Plc
Chartered Accountants
Statutory Auditor
15 Canada Square
London
E14 5GL

8 November 2011

Consolidated income statement

for the 52 weeks ended 17 September 2011

CONTINUING OPERATIONS	Note	**2011 52 weeks £m**	2010 53 weeks £m
REVENUE	1	**11,065**	10,167
Operating costs	2	**(10,265)**	(9,355)
		800	812
Share of profit after tax from joint ventures and associates	11	**37**	16
Profits less losses on disposal of non-current assets		**5**	(9)
OPERATING PROFIT		**842**	819
Adjusted operating profit	1	**920**	909
Profits less losses on disposal of non-current assets		**5**	(9)
Amortisation of non-operating intangibles	8	**(83)**	(81)
Profits less losses on sale and closure of businesses	21	**–**	28
PROFIT BEFORE INTEREST		**842**	847
Finance income	4	**9**	12
Finance expense	4	**(101)**	(88)
Other financial income/(expense)	4	**7**	(8)
PROFIT BEFORE TAXATION		**757**	763
Adjusted profit before taxation		**835**	825
Profits less losses on disposal of non-current assets		**5**	(9)
Amortisation of non-operating intangibles		**(83)**	(81)
Profits less losses on sale and closure of businesses		**–**	28
Taxation – UK		**(92)**	(83)
– Overseas		**(88)**	(111)
	5	**(180)**	(194)
PROFIT FOR THE PERIOD		**577**	569
ATTRIBUTABLE TO			
Equity shareholders		**541**	546
Non-controlling interests		**36**	23
PROFIT FOR THE PERIOD		**577**	569
Basic and diluted earnings per ordinary share (pence)	7	**68.7**	69.3
Dividends per share paid and proposed for the period (pence)	6	**24.75**	23.8

Consolidated statement of comprehensive income

for the 52 weeks ended 17 September 2011

	2011 52 weeks £m	2010 53 weeks £m
PROFIT FOR THE PERIOD RECOGNISED IN THE INCOME STATEMENT	**577**	569
OTHER COMPREHENSIVE INCOME		
Actuarial gains/(losses) on defined benefit schemes	**12**	(22)
Deferred tax associated with defined benefit schemes	**(4)**	3
Effect of movements in foreign exchange	**89**	228
Net gain/(loss) on hedge of net investment in foreign subsidiaries	**2**	(11)
Deferred tax associated with movements in foreign exchange	**(1)**	(4)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	(28)
Current tax associated with movements in foreign exchange	**(1)**	(4)
Movement in cash flow hedging position	**6**	41
Deferred tax associated with movement in cash flow hedging position	**(1)**	(11)
Share of other comprehensive income of joint ventures and associates	**–**	1
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**102**	193
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**679**	762
ATTRIBUTABLE TO		
Equity shareholders	**657**	715
Non-controlling interests	**22**	47
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**679**	762

Consolidated balance sheet

at 17 September 2011

	Note	2011 £m	2010 £m
NON-CURRENT ASSETS			
Intangible assets	8	**1,893**	1,925
Property, plant and equipment	9	**4,465**	3,941
Biological assets	10	**99**	97
Investments in joint ventures	11	**150**	121
Investments in associates	11	**44**	38
Employee benefits assets	12	**35**	–
Deferred tax assets	13	**150**	180
Other receivables	14	**203**	191
TOTAL NON-CURRENT ASSETS		**7,039**	6,493
CURRENT ASSETS			
Inventories	15	**1,425**	1,238
Biological assets	10	**112**	100
Trade and other receivables	14	**1,259**	1,079
Derivative assets	24	**26**	33
Cash and cash equivalents	16	**341**	345
TOTAL CURRENT ASSETS		**3,163**	2,795
TOTAL ASSETS		**10,202**	9,288
CURRENT LIABILITIES			
Loans and overdrafts	17	**(729)**	(367)
Trade and other payables	18	**(1,627)**	(1,491)
Derivative liabilities	24	**(22)**	(38)
Income tax		**(133)**	(132)
Provisions	19	**(31)**	(99)
TOTAL CURRENT LIABILITIES		**(2,542)**	(2,127)
NON-CURRENT LIABILITIES			
Loans	17	**(897)**	(794)
Provisions	19	**(105)**	(106)
Deferred tax liabilities	13	**(404)**	(418)
Employee benefits liabilities	12	**(79)**	(99)
TOTAL NON-CURRENT LIABILITIES		**(1,485)**	(1,417)
TOTAL LIABILITIES		**(4,027)**	(3,544)
NET ASSETS		**6,175**	5,744
EQUITY			
Issued capital	20	**45**	45
Other reserves	20	**175**	175
Translation reserve	20	**712**	606
Hedging reserve		**–**	(4)
Retained earnings		**4,816**	4,471
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**5,748**	5,293
Non-controlling interests		**427**	451
TOTAL EQUITY		**6,175**	5,744

The financial statements on pages 60 to 107 were approved by the board of directors on 8 November 2011 and were signed on its behalf by:

Charles Sinclair
Chairman

John Bason
Director

Consolidated cash flow statement

for the 52 weeks ended 17 September 2011

	2011 52 weeks £m	2010 53 weeks £m
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**757**	763
Profits less losses on disposal of non-current assets	**(5)**	9
Profits less losses on sale and closure of businesses	**–**	(28)
Finance income	**(9)**	(12)
Finance expense	**101**	88
Other financial (income)/expense	**(7)**	8
Share of profit after tax from joint ventures and associates	**(37)**	(16)
Amortisation	**96**	89
Depreciation	**317**	324
Net change in the fair value of biological assets	**(21)**	(8)
Share-based payment expense	**8**	11
Pension costs less contributions	**(38)**	(34)
(Increase)/decrease in inventories	**(176)**	61
(Increase)/decrease in receivables	**(138)**	105
Increase in payables	**115**	27
Purchases less sales of current biological assets	**(2)**	(3)
Decrease in provisions	**(69)**	(57)
Cash generated from operations	**892**	1,327
Income taxes paid	**(156)**	(155)
NET CASH FROM OPERATING ACTIVITIES	**736**	1,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from joint ventures and associates	**9**	6
Purchase of property, plant and equipment	**(794)**	(694)
Purchase of intangibles	**(49)**	(32)
Purchase of non-current biological assets	**(1)**	–
Sale of property, plant and equipment	**18**	27
Purchase of subsidiaries, joint ventures and associates	**(24)**	(36)
Sale of subsidiaries, joint ventures and associates	**3**	4
Loans to joint ventures	**(25)**	(74)
Purchase of non-controlling interests	**(29)**	(14)
Interest received	**11**	11
NET CASH FROM INVESTING ACTIVITIES	**(881)**	(802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	**(22)**	(29)
Dividends paid to equity shareholders	**(190)**	(171)
Interest paid	**(99)**	(84)
Financing:		
Increase/(decrease) in short-term loans	**342**	(241)
Increase/(decrease) in long-term loans	**105**	(30)
Net proceeds of rights issue taken up by non-controlling interests	**–**	115
Redemption of deferred shares	**–**	(2)
Movements from changes in own shares held	**(16)**	(4)
NET CASH FROM FINANCING ACTIVITIES	**120**	(446)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(25)**	(76)
Cash and cash equivalents at the beginning of the period	**309**	361
Effect of movements in foreign exchange	**7**	24
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**291**	309

Consolidated statement of changes in equity

for the 52 weeks ended 17 September 2011

	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to equity shareholders							
Balance as at 13 September 2009		47	173	439	(32)	4,121	4,748	328	5,076
TOTAL COMPREHENSIVE INCOME									
Profit for the period recognised in the income statement		–	–	–	–	546	546	23	569
Actuarial losses on defined benefit schemes		–	–	–	–	(22)	(22)	–	(22)
Deferred tax associated with defined benefit schemes		–	–	–	–	3	3	–	3
Effect of movements in foreign exchange		–	–	204	–	–	204	24	228
Net loss on hedge of net investment in foreign subsidiaries		–	–	(9)	–	–	(9)	(2)	(11)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	(28)	–	–	(28)	–	(28)
Deferred tax associated with movements in foreign exchange		–	–	–	–	(4)	(4)	–	(4)
Current tax associated with movements in foreign exchange		–	–	–	–	(4)	(4)	–	(4)
Movement in cash flow hedging position		–	–	–	38	–	38	3	41
Deferred tax associated with movement in cash flow hedging position		–	–	–	(10)	–	(10)	(1)	(11)
Share of other comprehensive income of joint ventures and associates		–	–	–	–	1	1	–	1
Other comprehensive income		–	–	167	28	(26)	169	24	193
Total comprehensive income		–	–	167	28	520	715	47	762
TRANSACTIONS WITH OWNERS									
Dividends paid to equity shareholders	6	–	–	–	–	(171)	(171)	–	(171)
Redemption of deferred shares		(2)	2	–	–	(2)	(2)	–	(2)
Net movement in own shares held		–	–	–	–	7	7	–	7
Dividends paid to non-controlling interests		–	–	–	–	–	–	(29)	(29)
Disposal of subsidiary		–	–	–	–	–	–	(3)	(3)
Changes in ownership of subsidiaries		–	–	–	–	(4)	(4)	108	104
Total transactions with owners		(2)	2	–	–	(170)	(170)	76	(94)
Balance as at 18 September 2010		45	175	606	(4)	4,471	5,293	451	5,744
TOTAL COMPREHENSIVE INCOME									
Profit for the period recognised in the income statement		–	–	–	–	541	541	36	577
Actuarial gains on defined benefit schemes		–	–	–	–	12	12	–	12
Deferred tax associated with defined benefit schemes		–	–	–	–	(4)	(4)	–	(4)
Effect of movements in foreign exchange		–	–	105	–	–	105	(16)	89
Net gain on hedge of net investment in foreign subsidiaries		–	–	1	–	–	1	1	2
Deferred tax associated with movements in foreign exchange		–	–	–	–	(1)	(1)	–	(1)
Current tax associated with movements in foreign exchange		–	–	–	–	(1)	(1)	–	(1)
Movement in cash flow hedging position		–	–	–	5	–	5	1	6
Deferred tax associated with movement in cash flow hedging position		–	–	–	(1)	–	(1)	–	(1)
Other comprehensive income		–	–	106	4	6	116	(14)	102
Total comprehensive income		–	–	106	4	547	657	22	679
TRANSACTIONS WITH OWNERS									
Dividends paid to equity shareholders	6	–	–	–	–	(190)	(190)	–	(190)
Net movement in own shares held		–	–	–	–	(8)	(8)	–	(8)
Deferred tax associated with share-based payments		–	–	–	–	2	2	–	2
Dividends paid to non-controlling interests		–	–	–	–	–	–	(22)	(22)
Changes in ownership of subsidiaries		–	–	–	–	(6)	(6)	(24)	(30)
Total transactions with owners		–	–	–	–	(202)	(202)	(46)	(248)
BALANCE AS AT 17 SEPTEMBER 2011		**45**	**175**	**712**	**–**	**4,816**	**5,748**	**427**	**6,175**

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 17 September 2011 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interest in associates and joint ventures.

The financial statements were authorised for issue by the directors on 8 November 2011.

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

The Company has elected to prepare its parent company financial statements under UK Generally Accepted Accounting Practice. These are presented on pages 108 to 112.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million. They are prepared on the historical cost basis except that biological assets and certain financial instruments are stated at fair value. Assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements under Adopted IFRS requires management to make judgements, 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. Judgements made by management in the application of Adopted IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment next year, are discussed in accounting estimates and judgements detailed on page 70.

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 accounting policies set out below have been applied to all periods presented, except where detailed otherwise.

Details of new accounting standards which came into force in the year are set out at the end of this note. None of them required restatement of primary statements in comparative periods, nor had any significant impact on the group's consolidated results or financial position.

The financial statements of the group are prepared to the Saturday nearest to 15 September. Accordingly, these financial statements have been prepared for the 52 weeks ended 17 September 2011 (prior period for the 53 weeks ended 18 September 2010). To avoid delay in the preparation of the consolidated financial statements, the results of certain subsidiaries, joint ventures and associates are included up to 31 August 2011. The results of Illovo are included for the period to 30 September 2011 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.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating review on pages 16 to 27. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 28 and 29. In addition, the principal risks and uncertainties on pages 46 to 48 and note 24 on pages 93 to 104 provide details of the group's policy on managing its financial and commodity risks.

The group has considerable financial resources, good access to debt markets, a diverse range of businesses and a wide geographic spread. It is therefore well placed to manage business risks successfully despite the current economic uncertainty.

Basis of consolidation

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

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

Changes in the group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity.

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

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

Business combinations

On the acquisition of a business or an interest in a joint venture or associate, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the group. Provisional fair values are finalised within twelve months of the business combination date and are adjusted by restatement of the comparative period in which the acquisition occurred. Non-controlling interests are measured at the proportionate share of the net identifiable assets acquired.

For business combinations executed in periods ending on or before 12 September 2009:

Goodwill arising on a business combination was the excess of the carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration included acquisition costs.

For business combinations executed before 3 September 2004, goodwill is included on the basis of its deemed cost, represented by the net book value recorded under previous GAAP.

Contingent consideration was measured at fair value at the date of the business combination. Subsequent changes to contingent consideration other than settlements are accounted for as adjustments to goodwill.

The following changes apply to business combinations executed in periods beginning on or after 13 September 2009:

Existing equity interests in the acquiree are remeasured to fair value as at the date of the business combination, with any resulting gain or loss taken to the income statement.

Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include acquisition costs, which are expensed as incurred.

Contingent consideration is measured at fair value at the date of the business combination, classified as asset, liability or equity (usually as a liability), and subsequently accounted for in line with that classification. Changes in contingent consideration classified as an asset or liability resulting other than from the finalisation of provisional fair values are accounted for in the income statement.

Revenue

Revenue represents the invoiced value of sales made to customers after deduction of discounts and sales taxes. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar items. Revenue does not include sales between group companies. Revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer, and when it can be reliably measured.

Revenue from sale of goods is generally recognised on dispatch or delivery to customers, dependent on shipping terms. Discounts are provided for as a reduction to revenue at the time a sale is recorded, based on management's best estimate of the amount required to meet claims by customers.

Borrowing costs

Borrowing costs are accounted for on an accruals basis in the income statement using the effective interest method. For qualifying items of property, plant and equipment, where the commencement date for capitalisation was on or after 13 September 2009, the group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of those qualifying assets as part of their cost. Previously, the group expensed all borrowing costs as incurred. Interest capitalised is taxed under current or deferred tax as appropriate.

Foreign currencies

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

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

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

Pensions and other post-employment benefits

The group's principal pension funds are defined benefit plans. In addition the group has defined contribution plans and other unfunded post-employment liabilities. For defined benefit plans, the amount charged in the income statement is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members by the group during the year. It also includes a credit equivalent to the group's expected return on pension plan assets over the year, offset by a charge equal to the expected interest on plan liabilities over the year. For each of the group's plans, the difference between the market value of assets and the present value of liabilities is disclosed as an asset or liability in the balance sheet.

Any related deferred tax (to the extent it is recoverable) is disclosed separately in the balance sheet. Any actuarial gains or losses are recognised immediately in other comprehensive income. Surpluses on defined benefit plans are recognised only to the extent that they are recoverable. Movements in irrecoverable surpluses are recognised immediately as an actuarial gain or loss in other comprehensive income.

Contributions payable by the group in respect of defined contribution plans are charged to operating profit as incurred. Other unfunded post-employment liabilities are accounted for in the same way as defined benefit pension plans.

Share-based payments

The fair value of share awards at grant date is recognised as an employee expense, with a corresponding increase in equity, spread over the period during which the executives become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect expected and actual levels of vesting, except where the failure to vest is as a result of not meeting a market condition.

Income tax

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

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

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

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

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

Financial assets and liabilities
Financial assets and financial liabilities, except for other non-current investments and derivatives, are measured initially at fair value, plus directly attributable transaction costs, and thereafter at amortised cost. Other non-current investments (classified under other non-current receivables) comprise available-for-sale investments which are measured at market prices where available. Where quoted market prices in an active market are not available, and where fair value cannot be reliably measured, unquoted equity instruments are measured at cost less impairment.

Cash and cash equivalents
Cash and cash equivalents comprise bank and cash balances, call deposits and short-term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Derivatives
Derivatives are used to manage the group's economic exposure to financial and commodity risks. The principal instruments used are forward foreign exchange contracts, futures, swaps or options (the 'hedging instrument'). The group does not use derivatives for speculative purposes.

Derivatives are recognised in the balance sheet, at fair value, based on market prices or rates, or calculated using either discounted cash flow or option pricing models.

Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting, when recognition of any change in fair value depends on the nature of the item being hedged.

The purpose of hedge accounting is to mitigate the impact on the group's income statement of changes in foreign exchange or interest rates and commodity prices, by matching the impact of the hedged risk and the hedging instrument in the income statement.

Changes in the value of derivatives used as hedges of future cash flows are recognised through other comprehensive income in the hedging reserve, with any ineffective portion recognised immediately within operating profit in the income statement.

When the future cash flow results in the recognition of a non-financial asset or liability, the gains and losses previously recognised in the hedging reserve are included in the initial measurement of that asset or liability. Otherwise, gains and losses previously recognised in the hedging reserve are recognised in the income statement at the same time as the hedged transaction.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments that relate to an underlying exposure that no longer exists are taken directly to the income statement.

Hedges of the group's net investment in foreign operations take the form of borrowings in the currency of the investment's net assets.

The group economically hedges foreign currency exposure on recognised monetary assets and liabilities but does not normally seek hedge accounting under IAS 39. Any derivatives that the group holds to hedge this exposure are classified as 'held for trading' within derivative assets and liabilities. Changes in the fair value of such derivatives and the foreign exchange gains and losses arising on the related monetary items are recognised within operating profit in the income statement.

Intangible assets other than goodwill
Non-operating intangible assets are intangible assets that arise on business combinations and typically include technology, brands, customer relationships and grower agreements. Operating intangible assets are intangible assets acquired in the ordinary course of business and typically include computer software, land use rights, and emissions trading licences.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment charges.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are generally deemed to be no longer than:

Technology and brands	up to 15 years
Customer relationships	up to 5 years
Grower agreements	up to 10 years

Goodwill
Goodwill is defined under 'Business combinations' on pages 65 and 66.

Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies.

Goodwill is not amortised but is subject to an annual impairment review.

Research and development
Research expenditure is expensed as incurred.

Development expenditure is capitalised if the product or process is technically and commercially feasible, and is otherwise expensed as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment charges.

Impairment

The carrying amounts of the group's intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at each balance sheet date.

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

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

Calculation of recoverable amount

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

Reversals of impairment

An impairment charge in respect of goodwill is not subsequently reversed. For other assets, an impairment charge is reversed if there has been a change in the estimates used to determine recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

Property, plant and equipment

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment sufficient to reduce them to their estimated residual value. Land is not depreciated. The estimated useful lives are generally deemed to be no longer than:

Freehold buildings	66 years
Plant and equipment, fixtures and fittings	
– sugar factories, yeast plants and mills	20 years
– other operations	12 years
Vehicles	10 years

Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period of time.

Where the group is a lessee and has substantially all the risks and rewards of ownership of an asset, the arrangement is considered a finance lease. Finance leases are recognised as assets of the group within property, plant and equipment at the inception of the lease at the lower of fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the income statement. Other leases where the group is a lessee are treated as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. The benefit of lease incentives is recognised in the income statement on a straight-line basis over the life of the lease.

Where the group is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Biological assets

Biological assets are measured at fair value less costs to sell. Cane roots and growing cane are stated at fair value determined on the following bases:

Cane roots – the escalated average cost, using appropriate inflation-related indices, of each year of planting adjusted for the remaining expected life. Expected useful lives are currently ten years in South Africa, seven years in Zambia and eight years elsewhere.

Growing cane – the estimated sucrose content valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport.

When harvested, growing cane is transferred to inventory at fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses and an appropriate proportion of production and other overheads. Cost is calculated on a first-in first-out basis.

Inventories for Primark are valued at the lower of cost and net realisable value using the retail method, which is calculated on the basis of selling price less the appropriate trading margin. All Primark inventories are finished goods.

New accounting policies

The group has adopted the following new and amended IFRSs and IFRIC interpretations with no material impact (all effective from 19 September 2010):

- Amendment to IFRS 2 *Share-based Payment*;
- Elements of *Annual Improvements to IFRSs 2009*;
- Elements of *Annual Improvements to IFRSs 2010*;
- Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- Amendment to IAS 32 *Financial Instruments: Presentation*; and
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments.*

The group is currently assessing the impact of the following revised standards and interpretations or amendments that are not yet effective. These changes will be adopted on the effective dates noted and are not expected to have a material impact on the group's reported profit, earning per share, net assets or disclosures (all effective from 18 September 2011 unless otherwise stated):

- Certain elements of *Annual Improvements to IFRSs 2010*;
- Revisions to IAS 24 *Related Party Disclosures*; and
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

The group is currently assessing the impact of the following revised standards and interpretations or amendments that are not yet effective. These changes have not yet been endorsed by the EU so will not necessarily be adopted by the effective dates noted:

- Amendments to IFRS 7 *Financial Instruments: Disclosures* effective 2012 financial year;
- IFRS 9 *Financial Instruments: Classification and Measurement* effective 2014 or 2016 financial year, which amends the classification and measurement for financial assets and liabilities;
- IFRS 10 *Consolidated Financial Statements* effective 2014 financial year;
- IFRS 11 *Joint Arrangements* effective 2014 financial year;
- IFRS 12 *Disclosure of Interests in Other Entities* effective 2014 financial year;
- IFRS 13 *Fair Value Measurement* effective 2014 financial year;
- Amendments to IAS 1 *Presentation of Financial Statements* effective 2013 financial year;
- Amendments to IAS 12 *Income Taxes* effective 2013 financial year; and
- IAS 19 *Employee Benefits* effective 2014 financial year.

Accounting estimates and judgements

for the 52 weeks ended 17 September 2011

In applying the accounting policies detailed on pages 65 to 69, management has made estimates in a number of areas and the actual outcome may differ from those calculated. Key sources of estimation uncertainty at the balance sheet date with a significant risk of material adjustment to the carrying value of assets and liabilities within the next financial year are:

Forecasts and discount rates

The carrying values of a number of items on the balance sheet are dependent on estimates of future cash flows arising from the group's operations which, in some circumstances, are discounted to arrive at a net present value.

Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of its value in use and its fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits. The group recognises deferred tax assets when it is more likely than not that they will be recovered, based on an assessment of the likelihood of there being sufficient taxable profits in the future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Post-retirement benefits

The group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The accounting valuation, which has been assessed using assumptions determined with independent actuarial advice, resulted in a net liability of £44m being recognised as at 17 September 2011. The size of this net liability is sensitive to the market value of the assets held by the schemes, to the discount rate used in assessing actuarial liabilities, to the actuarial assumptions (which include price inflation, rates of pension and salary increases, mortality and other demographic assumptions) and to the level of contributions. Further details are included in note 12.

Provisions

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account a range of possible outcomes.

Property, plant and equipment residual values and useful lives

Management reviews residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 9.

Biological assets

Cane roots valuation requires an estimation by management of the average number of ratoons expected from the crop. The carrying value of cane roots is disclosed in note 10.

Growing cane valuation – estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes; estimated sucrose price requires management to assess into which markets the forthcoming crop will be sold and assess domestic and export prices as well as the related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 10.

Cash flow hedge accounting

In order to achieve and maintain cash flow hedge accounting, it is necessary for the group to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable and whether the hedge is effective. This requires both subjective and objective measures of determination.

Exceptional items

The directors consider that items of income or expense which are material by virtue of their nature and amount should be disclosed separately if the financial statements are to present fairly the financial position and financial performance of the entity. The directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the directors believe would give rise to exceptional items for separate disclosure might include major business restructurings, impairments and reversals of impairments.

All exceptional items are included in the appropriate income statement line item to which they relate. In addition, for clarity, separate disclosure is made of all exceptional items, with additional explanation in the notes.

Taxation

The level of current and deferred tax recognised is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world.

Fair values on acquisition

Items of property, plant and equipment often have long operating lives, hence determination of fair values can require a significant degree of judgement. Acquisitions often result in significant intangible benefits for the group, some of which qualify for recognition as intangible assets. Other such benefits do not meet the recognition requirements of accounting standards and therefore form part of goodwill. Significant judgement is required in the assessment and valuation of these intangible assets, often with reference to internal data and models. Professional valuers are engaged where it is deemed appropriate to do so. Fair values on major acquisitions are disclosed in note 21.

1. Operating segments

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

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents. Segment liabilities comprise trade and other payables, derivative liabilities and provisions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, operating intangibles and biological assets.

The group is comprised of the following operating segments:

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

Geographical information

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

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

	Revenue		Adjusted operating profit	
	2011 £m	2010 £m	**2011 £m**	2010 £m
OPERATING SEGMENTS				
Grocery	**3,638**	3,406	**249**	229
Sugar	**2,134**	1,941	**315**	240
Agriculture	**1,127**	954	**40**	33
Ingredients	**1,123**	1,067	**56**	104
Retail	**3,043**	2,730	**309**	341
Central	**–**	–	**(48)**	(42)
	11,065	10,098	**921**	905
Businesses disposed:				
Grocery	**–**	17	**(1)**	–
Sugar	**–**	19	**–**	4
Agriculture	**–**	33	**–**	–
	–	69	**(1)**	4
	11,065	10,167	**920**	909
GEOGRAPHICAL INFORMATION				
United Kingdom	**4,788**	4,411	**491**	480
Europe & Africa	**2,735**	2,495	**213**	219
The Americas	**1,176**	1,120	**118**	121
Asia Pacific	**2,366**	2,072	**99**	85
	11,065	10,098	**921**	905
Businesses disposed:				
United Kingdom	**–**	33	**–**	–
Europe & Africa	**–**	19	**–**	4
The Americas	**–**	17	**(1)**	–
	–	69	**(1)**	4
	11,065	10,167	**920**	909

1. Operating segments continued

For the 52 weeks ended 17 September 2011

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,643	2,265	1,134	1,200	3,043	(220)	11,065
Internal revenue	(5)	(131)	(7)	(77)	–	220	–
Revenue from external customers	3,638	2,134	1,127	1,123	3,043	–	11,065
Adjusted operating profit from continuing businesses	239	308	27	49	309	(48)	884
Share of profit after tax from joint ventures and associates	10	7	13	7	–	–	37
Businesses disposed	(1)	–	–	–	–	–	(1)
Adjusted operating profit	248	315	40	56	309	(48)	920
Amortisation of non-operating intangibles	(24)	(31)	(1)	(27)	–	–	(83)
Profits less losses on disposal of non-current assets	3	2	–	–	–	–	5
Profit before interest	227	286	39	29	309	(48)	842
Finance income						9	9
Finance expense						(101)	(101)
Other financial expense						7	7
Taxation						(180)	(180)
PROFIT FOR THE PERIOD	227	286	39	29	309	(313)	577
Segment assets (excluding investments in associates and joint ventures)	2,824	2,503	280	1,441	2,310	124	9,482
Investments in associates and joint ventures	38	50	73	33	–	–	194
SEGMENT ASSETS	2,862	2,553	353	1,474	2,310	124	9,676
Cash and cash equivalents						341	341
Deferred tax assets						150	150
Employee benefit assets						35	35
SEGMENT LIABILITIES	(593)	(409)	(96)	(193)	(398)	(96)	(1,785)
Loans and overdrafts						(1,626)	(1,626)
Income tax						(133)	(133)
Deferred tax liabilities						(404)	(404)
Employee benefits liabilities						(79)	(79)
NET ASSETS	2,269	2,144	257	1,281	1,912	(1,688)	6,175
Non-current asset additions	226	193	11	93	323	2	848
Depreciation	87	77	9	42	100	2	317
Amortisation	36	32	1	27	–	–	96

Geographical information	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	4,788	2,735	1,176	2,366	11,065
Segment assets	3,671	2,916	1,075	2,014	9,676
Non-current asset additions	290	320	61	177	848
Depreciation	146	74	24	73	317
Amortisation	12	47	15	22	96

1. Operating segments continued

For the 53 weeks ended 18 September 2010

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,410	2,030	958	1,142	2,730	(172)	10,098
Internal revenue	(4)	(89)	(4)	(75)	–	172	–
External revenue from continuing businesses	3,406	1,941	954	1,067	2,730	–	10,098
Businesses disposed	17	19	33	–	–	–	69
Revenue from external customers	3,423	1,960	987	1,067	2,730	–	10,167
Adjusted operating profit from continuing businesses	229	242	23	96	341	(42)	889
Share of profit after tax from joint ventures and associates	–	(2)	10	8	–	–	16
Businesses disposed	–	4	–	–	–	–	4
Adjusted operating profit	229	244	33	104	341	(42)	909
Amortisation of non-operating intangibles	(26)	(33)	–	(22)	–	–	(81)
Profits less losses on disposal of non-current assets	12	(24)	3	(1)	–	1	(9)
Profits less losses on sale and closure of businesses	(7)	35	–	–	–	–	28
Profit before interest	208	222	36	81	341	(41)	847
Finance income						12	12
Finance expense						(88)	(88)
Other financial expense						(8)	(8)
Taxation						(194)	(194)
PROFIT FOR THE PERIOD	208	222	36	81	341	(319)	569
Segment assets (excluding investments in associates and joint ventures)	2,555	2,454	227	1,354	1,892	122	8,604
Investments in associates and joint ventures	26	40	61	32	–	–	159
SEGMENT ASSETS	2,581	2,494	288	1,386	1,892	122	8,763
Cash and cash equivalents						345	345
Deferred tax assets						180	180
SEGMENT LIABILITIES	(566)	(402)	(91)	(184)	(342)	(149)	(1,734)
Loans and overdrafts						(1,161)	(1,161)
Income tax						(132)	(132)
Deferred tax liabilities						(418)	(418)
Employee benefits liabilities						(99)	(99)
NET ASSETS	2,015	2,092	197	1,202	1,550	(1,312)	5,744
Non-current asset additions	251	171	10	81	214	12	739
Depreciation	98	84	7	32	102	1	324
Impairment of property, plant and equipment	–	13	–	1	–	–	14
Amortisation	32	34	–	23	–	–	89
Impairment of intangibles	–	10	–	–	–	–	10

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	4,444	2,514	1,137	2,072	10,167
Segment assets	3,344	2,629	1,043	1,747	8,763
Non-current asset additions	227	250	43	219	739
Depreciation	155	79	29	61	324
Impairment of property, plant and equipment	–	–	–	14	14
Amortisation	14	41	20	14	89
Impairment of intangibles	–	–	–	10	10

2. Operating costs

	Note	2011 £m	2010 £m
OPERATING COSTS			
Cost of sales (including amortisation of intangibles)		**8,347**	7,554
Distribution costs		**1,217**	1,153
Administration expenses		**701**	648
		10,265	9,355
OPERATING COSTS ARE STATED AFTER CHARGING/(CREDITING):			
Employee benefits expense	3	**1,613**	1,497
Amortisation of non-operating intangibles	8	**83**	81
Amortisation of operating intangibles	8	**13**	8
Profits less losses on disposal of non-current assets		**(5)**	9
Depreciation of owned property, plant and equipment	9	**317**	324
Operating lease payments under property leases		**110**	95
Operating lease payments for hire of plant and equipment		**13**	11
Other operating income		**(19)**	(14)
Research and development expenditure		**24**	22
Fair value gains on financial assets and liabilities held for trading		**(29)**	(27)
Fair value losses on financial assets and liabilities held for trading		**24**	31
Foreign exchange gains on operating activities		**(35)**	(40)
Foreign exchange losses on operating activities		**38**	38

AUDITORS' REMUNERATION	2011 £m	2010 £m
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF THE AUDIT		
Group audit of the Company's financial statements	**0.5**	0.5
Audit of the Company's subsidiaries pursuant to legislation	**4.7**	4.6
Total audit remuneration	**5.2**	5.1
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF NON-AUDIT RELATED SERVICES		
Other services pursuant to legislation	**0.4**	0.4
Tax services	**2.0**	2.9
Information technology services	**0.3**	0.4
All other services	**0.5**	0.3
Total non-audit related remuneration	**3.2**	4.0
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF THE GROUP'S PENSION SCHEMES		
Audit of the pension schemes	**0.1**	0.1
	0.1	0.1

3. Employees

		2011	2010
AVERAGE NUMBER OF EMPLOYEES			
United Kingdom		**36,330**	34,416
Europe & Africa		**41,364**	38,594
The Americas		**3,731**	3,672
Asia Pacific		**20,828**	20,233
		102,253	96,915
	Note	**£m**	£m
EMPLOYEE BENEFITS EXPENSE			
Wages and salaries		**1,385**	1,285
Social security contributions		**137**	122
Contributions to defined contribution schemes	12	**51**	45
Charge for defined benefit schemes	12	**32**	34
Equity-settled share-based payment schemes	22	**8**	11
		1,613	1,497

Details of directors' remuneration, share options and pension entitlements are shown in the Remuneration report on pages 49 to 54.

4. Interest and other finance income and expense

	Note	2011 £m	2010 £m
FINANCE INCOME			
Interest income on financial assets not at fair value through profit or loss:			
– cash and cash equivalents		**9**	11
– finance leases		**–**	1
Total finance income		**9**	12
FINANCE EXPENSE			
Interest expense on financial liabilities not at fair value through profit or loss:			
– bank loans and overdrafts		**(48)**	(34)
– all other borrowings		**(45)**	(46)
– finance leases		**(1)**	(1)
– other payables		**(3)**	(3)
– unwinding of discount on provisions		**(4)**	(4)
Total finance expense		**(101)**	(88)
OTHER FINANCIAL INCOME/(EXPENSE)			
Expected return on employee benefit scheme assets	12	**149**	138
Interest charge on employee benefit scheme liabilities	12	**(142)**	(143)
Net financial income/(expense) from employee benefit schemes		**7**	(5)
Net foreign exchange losses on financing activities		**–**	(3)
Total other financial income/(expense)		**7**	(8)

5. Income tax expense

	2011 £m	2010 £m
CURRENT TAX EXPENSE		
UK – corporation tax at 27.1% (2010 – 28%)	**80**	92
Overseas – corporation tax	**88**	99
UK – underprovided in prior periods	**16**	1
Overseas – overprovided in prior periods	**(25)**	(11)
	159	181
DEFERRED TAX EXPENSE		
UK deferred tax	**(5)**	(8)
Overseas deferred tax	**22**	14
UK – underprovided in prior periods	**1**	–
Overseas – underprovided in prior periods	**3**	7
	21	13
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	**180**	194
RECONCILIATION OF EFFECTIVE TAX RATE		
Profit before taxation	**757**	763
Less share of profit after tax from joint ventures and associates	**(37)**	(16)
PROFIT BEFORE TAXATION EXCLUDING SHARE OF PROFIT AFTER TAX FROM JOINT VENTURES AND ASSOCIATES	**720**	747
Nominal tax charge at UK corporation tax rate of 27.1% (2010 – 28%)	**195**	209
Benefit of lower tax rates	**(35)**	(27)
Expenses not deductible for tax purposes	**22**	13
Utilisation of losses	**(2)**	(6)
Deferred tax not recognised	**5**	8
Adjustments in respect of prior periods	**(5)**	(3)
	180	194
INCOME TAX RECOGNISED DIRECTLY IN EQUITY		
Deferred tax associated with defined benefit schemes	**4**	(3)
Deferred tax associated with share-based payments	**(2)**	–
Deferred tax associated with movement in cash flow hedging position	**1**	11
Deferred tax associated with movements in foreign exchange	**1**	4
Current tax associated with movements in foreign exchange	**1**	4
	5	16

Following the enactment of legislation in the UK to reduce the corporation tax rate to 25% from 1 April 2012, the effective tax rate this year includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £12m reduction in the tax charge in the income statement. Proposed future reductions in the UK tax rate to 23% will be reflected when the relevant legislation is substantively enacted.

Deferred taxation balances are analysed in note 13.

6. Dividends

	2011 pence per share	2010 pence per share	2011 £m	2010 £m
2009 final	**–**	14.10	**–**	111
2010 interim	**–**	7.60	**–**	60
2010 final	**16.20**	–	**128**	–
2011 interim	**7.90**	–	**62**	–
	24.10	21.70	**190**	171

The 2011 interim dividend was declared on 27 April 2011 and paid on 8 July 2011. The 2011 final dividend of 16.85 pence, total value of £133m, will be paid on 13 January 2012 to shareholders on the register on 9 December 2011.

Dividends relating to the period were 24.75 pence per share totalling £195m (2010 – 23.8 pence per share totalling £188m).

7. Earnings per share

The calculation of basic earnings per share at 17 September 2011 was based on the net profit attributable to equity shareholders of £541m (2010 – £546m), and a weighted average number of shares outstanding during the year of 788 million (2010 – 788 million). The calculation of the weighted average number of shares excludes the shares held by the Employee Share Ownership Plan Trust on which the dividends are being waived.

Adjusted earnings per ordinary share, which exclude the impact of profits less losses on disposal of non-current assets and sale and closure of businesses, amortisation of non-operating intangibles, 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 and share incentives. The diluted, weighted average number of shares is 788 million (2010 – 788 million). There is no difference between basic and diluted earnings.

	2011 £m	2010 £m
ADJUSTED PROFIT FOR THE PERIOD	**583**	569
Disposal of non-current assets	**5**	(9)
Sale and closure of businesses	**–**	28
Amortisation of non-operating intangibles	**(83)**	(81)
Tax credit on non-operating intangibles amortisation and goodwill	**25**	27
Non-controlling interests' share of amortisation of non-operating intangibles net of tax	**11**	12
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**541**	546

	2011 pence	2010 pence
ADJUSTED EARNINGS PER SHARE	**74.0**	72.2
Disposal of non-current assets	**0.6**	(1.1)
Sale and closure of businesses	**–**	3.6
Amortisation of non-operating intangibles	**(10.5)**	(10.3)
Tax credit on non-operating intangibles amortisation and goodwill	**3.2**	3.4
Non-controlling interests' share of amortisation of non-operating intangibles net of tax	**1.4**	1.5
EARNINGS PER ORDINARY SHARE	**68.7**	69.3

8. Intangible assets

		Non-operating					Operating	
	Goodwill £m	Technology £m	Brands £m	Customer relationships £m	Grower agreements £m	Other £m	Other £m	Total £m
COST								
At 12 September 2009	1,296	231	338	98	187	8	97	2,255
Acquired through business combinations	2	–	–	–	(9)	–	–	(7)
Other acquisitions – externally purchased	–	–	–	–	–	–	34	34
Transferred to assets classified as held for sale	–	–	–	–	–	–	(10)	(10)
Effect of movements in foreign exchange	57	13	11	6	20	1	5	113
AT 18 SEPTEMBER 2010	1,355	244	349	104	198	9	126	2,385
Other acquisitions – externally purchased	–	–	–	–	–	–	60	60
Other disposals	–	–	–	–	–	–	(12)	(12)
Effect of movements in foreign exchange	8	4	–	5	(9)	–	8	16
AT 17 SEPTEMBER 2011	**1,363**	**248**	**349**	**109**	**189**	**9**	**182**	**2,449**
AMORTISATION AND IMPAIRMENT								
At 12 September 2009	5	102	103	59	54	8	11	342
Amortisation for the year	–	21	27	14	19	–	8	89
Impairment	–	–	–	–	–	–	10	10
Effect of movements in foreign exchange	–	7	5	5	7	1	(6)	19
AT 18 SEPTEMBER 2010	5	130	135	78	80	9	23	460
Amortisation for the year	–	17	29	17	20	–	13	96
Effect of movements in foreign exchange	–	1	–	1	(5)	–	3	–
AT 17 SEPTEMBER 2011	**5**	**148**	**164**	**96**	**95**	**9**	**39**	**556**
NET BOOK VALUE								
At 12 September 2009	1,291	129	235	39	133	–	86	1,913
At 18 September 2010	1,350	114	214	26	118	–	103	1,925
AT 17 SEPTEMBER 2011	**1,358**	**100**	**185**	**13**	**94**	**–**	**143**	**1,893**

The impairment of operating intangibles in 2010 related to land use rights in China, which was included within losses on disposal of non-current assets in the income statement, and was included in the Sugar segment.

8. Intangible assets continued

Impairment of goodwill

As at 17 September 2011, the consolidated balance sheet included goodwill of £1,358m (2010 – £1,350m). Goodwill is allocated to the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill, as follows:

CASH-GENERATING UNIT (CGU) OR GROUP OF CGUS	Primary reporting segment	2011 £m	2010 £m
ACH	Grocery	**245**	248
AB Mauri	Ingredients	**358**	344
Twinings Ovaltine	Grocery	**119**	119
Capullo	Grocery	**58**	58
Illovo	Sugar	**184**	193
AB World Foods	Grocery	**58**	58
North China Sugar	Sugar	**68**	65
Other*	Various	**268**	265
		1,358	1,350

* The amount of goodwill allocated to each CGU or group of CGUs is not individually significant.

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually and whenever there is an indication of impairment.

These calculations are performed annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

- The carrying value of goodwill has been assessed with reference to value in use to perpetuity reflecting the projected cash flows of each of the CGUs or group of CGUs based on the most recent budget. Growth rates for the period not covered by the annual budget are based on a range of growth rates that reflect the products, industries and countries in which the relevant CGU or group of CGUs operate.
- The key assumptions on which the cash flow projections for the most recent annual budget are based relate to discount rates, growth rates and expected changes in selling prices and direct costs.
- The cash flow projections have been discounted using a range of rates based on the group's pre-tax weighted average cost of capital adjusted for specific risks of the business if necessary. The rates used vary between 8% and 12% (2010 – between 8% and 11%).
- The growth rates applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that is significant to the total carrying amount of goodwill were in a range between 0% and 2.5% (2010 – between 0% and 2.5%).
- For some recently acquired intangible assets, management expects to achieve growth over the next three to five years in excess of the long-term growth rates for the applicable country or region. In these circumstances, the cash flow forecast is extended to between three and five years using specific growth assumptions.
- Changes in selling price and direct costs are based on past results and expectations of future changes in the market.

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected, and expected long-term growth rates. Each of the group's CGUs had significant headroom under the annual impairment review with the exception of AB Mauri and the sugar business in north east China.

In AB Mauri, higher molasses costs and increased competitive pressures in its businesses around the world have resulted in an indicator of impairment risk under the strict requirements of IFRS. Management has reviewed forecasts for this business taking those issues into account, and has concluded that no impairment is required. In North China Sugar, current forecasts continue to support the carrying value of the assets of the business, but the achievement of these forecasts depends on significant improvements in agricultural yields and factory volumes. Management will closely monitor the value in use of these CGUs.

For all goodwill other than AB Mauri and North China Sugar, management has concluded that no reasonably possible change in key assumptions on which it has determined value in use would cause carrying values to exceed value in use.

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9. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
COST					
At 12 September 2009	1,767	2,435	954	183	5,339
Other acquisitions	117	146	133	308	704
Interest capitalised	–	–	–	1	1
Businesses disposed	(13)	(2)	–	–	(15)
Other disposals	(5)	(68)	(37)	–	(110)
Transfers from assets under construction	46	151	14	(211)	–
Effect of movements in foreign exchange	39	117	(9)	15	162
AT 18 SEPTEMBER 2010	1,951	2,779	1,055	296	6,081
Other acquisitions	164	225	232	162	783
Interest capitalised	–	–	–	2	2
Other disposals	(21)	(155)	(47)	–	(223)
Transfers from assets under construction	11	278	3	(292)	–
Effect of movements in foreign exchange	39	35	11	9	94
AT 17 SEPTEMBER 2011	**2,144**	**3,162**	**1,254**	**177**	**6,737**
DEPRECIATION AND IMPAIRMENT					
At 12 September 2009	280	1,235	305	–	1,820
Depreciation for the year	40	183	101	–	324
Impairment	14	–	–	–	14
Businesses disposed	–	(1)	–	–	(1)
Other disposals	(2)	(58)	(37)	–	(97)
Effect of movements in foreign exchange	9	72	(1)	–	80
AT 18 SEPTEMBER 2010	341	1,431	368	–	2,140
Depreciation for the year	43	177	97	–	317
Other disposals	(24)	(147)	(45)	–	(216)
Effect of movements in foreign exchange	6	21	4	–	31
AT 17 SEPTEMBER 2011	**366**	**1,482**	**424**	**–**	**2,272**
NET BOOK VALUE					
At 12 September 2009	1,487	1,200	649	183	3,519
At 18 September 2010	1,610	1,348	687	296	3,941
AT 17 SEPTEMBER 2011	**1,778**	**1,680**	**830**	**177**	**4,465**

	2011 £m	2010 £m
Net book value of finance lease assets	**12**	12
Land and buildings at net book value comprise:		
– freehold	**1,385**	1,249
– long leasehold	**295**	271
– short leasehold	**98**	90
	1,778	1,610
Capital expenditure commitments – contracted but not provided for	**166**	218

Impairment

Retailer price competition and higher costs at the new factory at Castlemaine, Victoria have given rise to an indicator of impairment risk in the meat business within George Weston Foods. Construction and commissioning of this significant new factory is progressing. Management has considered forecasts for the future performance of the business when the new factory is fully operational as planned, and has concluded that no impairment is required for the assets included above.

In 2010, the impairment of land and buildings related to the sugar business in North China and was included within profits less losses on disposal of non-current assets.

10. Biological assets

	Current			Non-current
	Growing cane £m	Other £m	Total £m	Cane roots £m
At 12 September 2009	95	6	101	92
Businesses disposed	(1)	–	(1)	(2)
Transferred to inventory	(94)	(13)	(107)	–
Purchases	–	3	3	1
Changes in fair value	94	13	107	8
Effect of movements in foreign exchange	(2)	(1)	(3)	(2)
AT 18 SEPTEMBER 2010	92	8	100	97
Transferred to inventory	(102)	(23)	(125)	–
Purchases	–	2	2	1
Changes in fair value	118	21	139	7
Effect of movements in foreign exchange	(4)	–	(4)	(6)
AT 17 SEPTEMBER 2011	**104**	**8**	**112**	**99**

CANE ROOTS	2011	2010
AREA UNDER CANE AS AT THE END OF THE PERIOD (HECTARES)		
South Africa	**7,990**	8,142
Malawi	**20,608**	20,565
Zambia	**17,153**	16,977
Swaziland	**8,657**	8,170
Tanzania	**9,776**	9,844
Mozambique	**5,570**	5,572
	69,754	69,270

Growing cane

The following assumptions have been used in the determination of the estimated sucrose tonnage at 17 September 2011:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	5,010	20,173	16,944	8,029	9,776	5,484
Estimated yield (tonnes cane/hectare)	69.4	110.4	120.0	110.9	80.0	95.0
Average maturity of cane	56.0%	66.7%	66.7%	66.7%	50%	66.7%

The following assumptions were used in the determination of the estimated sucrose tonnage at 18 September 2010:

	South Africa	Malawi	Zambia	Swaziland	Tanzania	Mozambique
Expected area to harvest (hectares)	5,140	20,267	16,905	8,067	9,365	5,493
Estimated yield (tonnes cane/hectare)	69.2	111.0	120.5	111.4	80.0	95.0
Average maturity of cane	55.6%	66.7%	66.7%	66.7%	50.0%	66.7%

11. Investments in joint ventures and associates

	Joint ventures			Associates		
	Shares £m	Goodwill £m	Total £m	Shares £m	Goodwill £m	Total £m
At 12 September 2009	108	14	122	32	–	32
Profit for the period	12	–	12	4	–	4
Dividends received	(4)	–	(4)	(2)	–	(2)
Effect of movements in foreign exchange	(9)	–	(9)	4	–	4
AT 18 SEPTEMBER 2010	107	14	121	38	–	38
Acquisitions	4	1	5	–	–	–
Profit for the period	29	–	29	8	–	8
Dividends received	(6)	–	(6)	(3)	–	(3)
Effect of movements in foreign exchange	1	–	1	1	–	1
AT 17 SEPTEMBER 2011	**135**	**15**	**150**	**44**	–	**44**

Details of principal joint ventures and associates are listed in note 28.

Included in the consolidated financial statements are the following items that represent the group's share of the assets, liabilities and profit of joint ventures and associates:

	Joint ventures		Associates	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Non-current assets	**206**	175	**22**	20
Current assets	**305**	265	**166**	148
Current liabilities	**(221)**	(175)	**(143)**	(130)
Non-current liabilities	**(155)**	(158)	**(1)**	–
Goodwill	**15**	14	**–**	–
Net assets	**150**	121	**44**	38
Revenue	**1,221**	1,000	**96**	69
Expenses	**(1,185)**	(982)	**(84)**	(62)
Taxation	**(7)**	(6)	**(4)**	(3)
Profit for the period	**29**	12	**8**	4

12. Employee entitlements

The group operates pension schemes, the majority of which are of the defined benefit type. The group also operates a small number of unfunded overseas post-retirement medical benefit schemes.

UK schemes

The group's principal UK defined benefit pension schemes are funded schemes and are closed to new members, with defined contribution arrangements in place for other employees. The pension costs in the UK for the defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. For defined contribution schemes, the pension costs are the contributions payable.

Actuarial gains and losses arising over the financial year are recognised immediately in other comprehensive income and are reflected in the balance sheet at 17 September 2011. Past service cost is recognised immediately in the income statement to the extent that the benefits have already vested.

The last actuarial valuation of the Associated British Foods Pension Scheme was carried out as at 5 April 2008. At the valuation date the total market value of the assets of the Scheme was £2,223m and represented 93% of the benefits that had accrued to members after allowing for expected future increases in earnings. Following completion of the actuarial valuation, the group agreed to make five annual payments of £30m in order to eliminate the deficit at 5 April 2008. The third of these payments was made in March 2011.

12. Employee entitlements continued

Overseas schemes

The group also operates defined benefit pension schemes in Australia and New Zealand, the United States, Canada, the Republic of Ireland, Switzerland, Germany, France, Italy, the Philippines, Thailand, South Africa and Zambia. These schemes are primarily funded schemes. The charge for the year is based on recommendations by qualified actuaries. Unfunded post-retirement medical benefit schemes are accounted for as defined benefit pension schemes. For defined contribution schemes, the pension costs are the contributions payable.

Assumptions

The UK pension schemes represent 90% (2010 – 89%) of the group's scheme assets and 88% (2010 – 88%) of the group's scheme liabilities. The financial assumptions used to value the UK pension schemes under IAS 19, together with the expected long-term rates of return on assets, are:

	2011 %	2010 %	2009 %
Discount rate	**5.1**	5.2	5.7
Inflation	**3.3**	3.5	3.5
Rate of increase in salaries	**4.3**	5.0	5.0
Rate of increase for pensions in payment	**3.1**	3.3	3.3
Rate of increase for pensions in deferment (where provided)	**2.8**	3.0	3.5

The mortality assumptions used to value the UK pension schemes are derived from the S1NA generational mortality tables with improvements in line with the projection model prepared by the Continuous Mortality Investigation of the UK actuarial profession, with no rating with a long-term underpin of 1.5%. These mortality assumptions take account of experience to date, and assumptions for further improvements in life expectancy of scheme members.

Examples of the resulting life expectancies are as follows:

	2011		2010	
LIFE EXPECTANCY FROM AGE 65 (IN YEARS)	**Male**	**Female**	Male	Female
Member aged 65 in 2011 (2010)	**22.5**	**24.6**	20.9	23.1
Member aged 65 in 2031 (2030)	**24.7**	**27.0**	22.7	25.0

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension schemes.

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries.

Balance sheet

The expected rates of return and market values of the assets of the principal schemes were as follows:

UK SCHEMES	**2011 %**	**2011 £m**	2010 %	2010 £m	2009 %	2009 £m
Expected long-term rates of return:						
Equities	**6.7**	**827**	7.1	831	7.2	674
Government bonds	**3.7**	**631**	4.1	542	4.2	673
Non-government bonds	**5.1**	**939**	5.2	919	5.7	696
Property	**5.2**	**102**	5.6	90	5.7	75
Other	**0.5**	**7**	0.5	23	0.5	17
Total market value of plan assets		**2,506**		2,405		2,135
Present value of scheme liabilities		**(2,490)**		(2,434)		(2,211)
Net pension asset/(liability)		**16**		(29)		(76)
Unfunded liability included in the present value of scheme liabilities above		**(17)**		(15)		(11)

The plan assets, scheme liabilities and aggregate net surplus of the plans were respectively £2,202m, £2,117m and £85m in 2008 and £2,256m, £1,972m and £284m in 2007.

12. Employee entitlements continued

The sensitivities regarding the principal assumptions used to measure scheme liabilities at 17 September 2011 are:

	Change in assumption	Impact on scheme liabilities
Discount rate	decrease/increase by 0.5%	increase/decrease by 8.9%
Inflation	increase/decrease by 0.5%	increase/decrease by 7.8%
Rate of increase in salaries	increase/decrease by 0.5%	increase/decrease by 1.5%
Rate of mortality	reduce by one year	increase by 2.6%

OVERSEAS SCHEMES	**2011 %**	**2011 £m**	2010 %	2010 £m	2009 %	2009 £m
Expected long-term rates of return:						
Equities	**8.0**	**128**	7.7	112	8.8	102
Government bonds	**4.7**	**36**	4.3	34	7.0	69
Non-government bonds	**3.5**	**53**	2.9	41	4.1	36
Property	**5.2**	**6**	7.1	5	5.9	6
Other	**5.9**	**59**	6.3	93	5.4	25
Total market value of plan assets		**282**		285		238
Present value of scheme liabilities		**(334)**		(342)		(242)
Aggregate net deficit of the plans		**(52)**		(57)		(4)
Irrecoverable surplus (a)		**(8)**		(13)		(26)
Net pension liability		**(60)**		(70)		(30)
Unfunded liability included in the present value of scheme liabilities above		**(34)**		(36)		(32)

The plan assets, scheme liabilities and aggregate net surplus of the plans were respectively £222m, £211m and £11m in 2008 and £218m, £192m and £26m in 2007.

(a) The surpluses in the plans are only recoverable to the extent that the group can benefit from either refunds formally agreed or from future contribution reductions.

The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the long-term rate of return on government bonds available at the balance sheet date and with a similar maturity to the scheme liabilities, and applies to these rates suitable risk premia that take account of historic market returns and current market long-term expectations for each asset class.

The UK schemes' net pension asset of £16m (2010 – £29m liability) plus the overseas schemes' net pension liability of £60m (2010 – £70m liability) totals a liability of £44m (2010 – £99m). This equates to the employee benefits asset of £35m (2010 – nil) and liability of £79m (2010 – £99m) shown on the face of the consolidated balance sheet.

Income statement

The charge to the income statement comprises:

	2011 £m	2010 £m
Charged to operating profit:		
Defined benefit plans		
Current service cost	**(39)**	(34)
Past service cost	**–**	(1)
Gain on curtailment	**7**	1
Defined contribution plans	**(51)**	(45)
Total operating cost	**(83)**	(79)
Reported in other financial income/(expense):		
Expected return on assets	**149**	138
Interest charge on liabilities	**(142)**	(143)
Net financial income/(expense) from employee benefit schemes	**7**	(5)
Net impact on the income statement (before tax)	**(76)**	(84)

The actual return on scheme assets was a gain of £153m (2010 – gain of £374m).

12. Employee entitlements continued

Cash flow

Group cash flow in respect of employee benefits schemes comprises contributions paid to funded plans and benefits paid in respect of unfunded plans. In 2011, the benefits paid in respect of unfunded plans was £1m (2010 – £2m). Company contributions to funded defined benefit plans are subject to periodic review. In 2011, contributions to funded defined benefit plans amounted to £70m (2010 – £66m). Contributions to defined contribution plans amounted to £51m (2010 – £45m).

Total contributions to funded plans and benefit payments by the group in respect of unfunded plans are currently expected to be approximately £70m in 2012 (2011 – £68m).

Other comprehensive income

Amounts recognised in other comprehensive income:

	2011 £m	2010 £m
Actual return less expected return on pension scheme assets	4	236
Experience gains and losses arising on scheme liabilities	67	(15)
Changes in assumptions underlying the present value of scheme liabilities	(62)	(258)
	9	(37)
Change in unrecognised surplus	3	15
Net actuarial gain/(loss) recognised in other comprehensive income (before tax)	12	(22)

Cumulative actuarial losses from 19 September 2004 reported in other comprehensive income are £335m (2010 – cumulative actuarial losses of £347m).

Reconciliation of change in assets and liabilities

	2011 assets £m	2010 assets £m	2011 liabilities £m	2010 liabilities £m	2011 net £m	2010 net £m
Asset/(liability) at beginning of year	2,690	2,373	(2,776)	(2,453)	(86)	(80)
Current service cost	–	–	(39)	(34)	(39)	(34)
Employee contributions	10	11	(10)	(11)	–	–
Employer contributions	70	66	–	–	70	66
Benefit payments	(141)	(146)	142	148	1	2
Past service cost	–	–	–	(1)	–	(1)
Gain on curtailments	(3)	–	10	1	7	1
Financial income	149	138	–	–	149	138
Financial expense	–	–	(142)	(143)	(142)	(143)
Actuarial gain/(loss)	4	236	5	(273)	9	(37)
Effect of movements in foreign exchange	9	12	(14)	(10)	(5)	2
Asset/(liability) at end of year	2,788	2,690	(2,824)	(2,776)	(36)	(86)

HISTORY OF EXPERIENCE GAINS AND LOSSES	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
– amount (£m)	4	236	(203)	(170)	(20)
– percentage of scheme assets	0.1%	8.8%	8.6%	7.0%	0.8%
Experience gains and losses on scheme liabilities					
– amount (£m)	67	(15)	5	61	(32)
– percentage of scheme liabilities	2.4%	0.5%	0.2%	2.6%	1.5%
Total amount included in other comprehensive income					
– amount (£m)	9	(37)	(231)	(253)	108
– percentage of scheme liabilities	0.3%	1.3%	9.4%	10.9%	5.0%

13. Deferred tax assets and liabilities

	Property, plant and equipment £m	Intangible assets £m	Employee benefits £m	Financial assets and liabilities £m	Other temporary differences £m	Tax value of carry-forward losses £m	Total £m
At 12 September 2009	197	127	(28)	(14)	25	(95)	212
Amount charged/(credited) to the income statement	5	(8)	5	–	4	13	19
Amount charged/(credited) to other comprehensive income	–	–	(4)	11	4	–	11
Acquired through business combinations	1	–	–	–	3	–	4
Businesses disposed	(1)	–	–	–	–	–	(1)
Effect of change in tax rate:							
– income statement	(6)	–	–	–	–	–	(6)
– other comprehensive income	–	–	1	–	–	–	1
Effect of movements in foreign exchange	2	4	(1)	3	(8)	(2)	(2)
AT 18 SEPTEMBER 2010	198	123	(27)	–	28	(84)	238
Amount charged/(credited) to the income statement	31	(8)	10	–	18	(14)	37
Amount charged/(credited) to other comprehensive income	–	–	4	1	1	–	6
Amount charged/(credited) directly to equity	–	–	(2)	–	–	–	(2)
Effect of change in tax rate on income statement	(24)	–	–	–	1	7	(16)
Effect of movements in foreign exchange	(1)	–	–	–	(4)	(4)	(9)
AT 17 SEPTEMBER 2011	**204**	**115**	**(15)**	**1**	**44**	**(95)**	**254**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2011 £m	2010 £m
Deferred tax assets	**(150)**	(180)
Deferred tax liabilities	**404**	418
	254	238

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned. Other deferred tax assets totalling £29m (2010 – £20m) have not been recognised on the basis that their future economic benefit is uncertain.

In addition, there are temporary differences of £2,095m (2010 – £1,789m) relating to investments in subsidiaries. No deferred tax has been provided in respect of these differences, since the timing of the reversals can be controlled and it is probable that the temporary differences will not reverse in the future.

14. Trade and other receivables

	2011 £m	2010 £m
NON-CURRENT – OTHER RECEIVABLES		
Loans and receivables	**187**	182
Other non-current investments	**16**	9
	203	191
CURRENT – TRADE AND OTHER RECEIVABLES		
Trade receivables	**939**	835
Other receivables	**136**	99
Accrued income	**19**	14
	1,094	948
Prepayments and other non-financial receivables	**165**	131
	1,259	1,079

The directors consider that the carrying amount of receivables approximates fair value.

For details of credit risk exposure on trade and other receivables, see note 24.

Trade and other receivables include £19m (2010 – £20m) in respect of finance lease receivables, with £16m in non-current loans and receivables and £3m in current other receivables (2010 – £18m in non-current loans and receivables and £2m in current other receivables). Minimum lease payments receivable are £3m within one year, £14m between one and five years, and £3m after five years (2010 – £3m within one year, £14m between one and five years, and £5m after five years).

The finance lease receivables relate to property, plant and equipment leased to a joint venture of the group (see note 27).

15. Inventories

	2011 £m	2010 £m
Raw materials and consumables	**362**	303
Work in progress	**35**	19
Finished goods and goods held for resale	**1,028**	916
	1,425	1,238
Write down of inventories	**(89)**	(57)

16. Cash and cash equivalents

	Note	2011 £m	2010 £m
CASH			
Cash at bank and in hand		**331**	324
Cash equivalents		**10**	21
Cash and cash equivalents	24	**341**	345
RECONCILIATION TO THE CASH FLOW STATEMENT			
Bank overdrafts	17	**(50)**	(36)
Cash and cash equivalents in the cash flow statement		**291**	309

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate.

Cash equivalents generally comprise:

(i) deposits placed on money markets for periods up to three months which earn interest at a short-term deposit rate; and

(ii) funds invested with fund managers that have a maturity of less than or equal to three months and are at fixed rates.

The carrying amount of cash and cash equivalents approximates fair value.

17. Loans and overdrafts

	Note	2011 £m	2010 £m
CURRENT LOANS AND OVERDRAFTS			
Secured bank loans		**37**	68
Unsecured bank loans and overdrafts		**692**	299
		729	367
NON-CURRENT LOANS			
Secured redeemable debenture stock 2013		**150**	150
Secured bank loans		**189**	72
Unsecured bank loans		**546**	560
Finance leases	25	**12**	12
		897	794
	24	**1,626**	1,161

17. Loans and overdrafts continued

	Note	2011 £m	2010 £m
10¾% secured redeemable debenture stock 2013 (GBP)		**150**	150
Secured bank loans			
– USD floating rate		**10**	11
– EUR fixed rate		**–**	1
– ZAR floating rate		**79**	–
– RMB floating rate		**53**	66
– Other floating rate		**81**	34
– Other fixed rate		**3**	28
Unsecured bank loans and overdrafts			
– Bank overdrafts	16	**50**	36
– GBP floating rate		**514**	145
– GBP fixed rate		**81**	80
– USD floating rate		**28**	–
– USD fixed rate		**295**	300
– EUR floating rate		**146**	147
– EUR fixed rate		**19**	19
– ZAR floating rate		**–**	47
– RMB floating rate		**96**	70
– RMB fixed rate		**2**	9
– Other floating rate		**5**	5
– Other fixed rate		**2**	1
Finance leases (fixed rate)		**12**	12
		1,626	1,161

Secured bank loans comprise amounts borrowed from commercial banks and are secured by floating charges over the assets of subsidiaries.

Bank overdrafts generally bear interest at floating rates.

18. Trade and other payables

	2011 £m	2010 £m
Trade payables	**788**	762
Accruals	**622**	522
	1,410	1,284
Deferred income and other non-financial payables	**217**	207
	1,627	1,491

For payables with a remaining life of less than one year, carrying amount is deemed to reflect the fair value.

19. Provisions

	Restructuring £m	Deferred consideration £m	Other £m	Total £m
At 18 September 2010	61	72	72	205
Created	3	3	8	14
Unwinding of discount	–	4	–	4
Utilised	(40)	(10)	(31)	(81)
Released	(2)	(1)	(6)	(9)
Effect of movements in foreign exchange	2	1	–	3
AT 17 SEPTEMBER 2011	**24**	**69**	**43**	**136**
Current	16	2	13	31
Non-current	8	67	30	105
	24	**69**	**43**	**136**

Provisions include financial liabilities of £136m (2010 – £205m) (see note 24).

Restructuring
Restructuring provisions relate to the cash costs, including redundancy, associated with the group's announced reorganisation plans, of which the majority will be utilised in 2011/12.

Deferred consideration
Deferred consideration comprises estimates of amounts due to the previous owners of businesses acquired by the group which are often linked to performance or other conditions.

Other
Other provisions mainly comprise litigation claims and warranty claims arising from the sale and closure of businesses. The extent and timing of the utilisation of these provisions is more uncertain given the nature of the claims and the period of the warranties.

20. Share capital and reserves
Share capital

	Ordinary shares of $5\frac{15}{22}$p each 000	Nominal value £m
ISSUED AND FULLY PAID		
At 18 September 2010 and 17 September 2011	791,674	45

At 17 September 2011, the Company's issued share capital comprised 791,674,183 ordinary shares of $5\frac{15}{22}$p each, carrying one vote per share.

Other reserves
£173m of other reserves arose from the cancellation of share premium account by the Company in 1993. The remaining £2m arose in 2010 as a transfer to capital redemption reserve following redemption of two million £1 deferred shares at par. Both are non-distributable.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the group's net investment in foreign subsidiaries.

21. Acquisitions and disposals

Acquisitions

2011

During 2011, the group completed no new business combinations. Cash flow on purchase of subsidiaries, joint ventures and associates of £24m comprises £15m in respect of previous acquisitions and £9m investment in a joint venture.

2010

During 2010, the group completed no new business combinations. Minor provisional fair value adjustments were finalised during the year. These comprised a £9m reduction in non-operating intangibles, a £3m reduction in other non-current receivables, a £1m reduction in trade and other receivables and a £4m increase in deferred tax liabilities. This reduction in net identifiable assets and liabilities of £17m resulted in a £2m increase in goodwill and a £15m decrease in deferred consideration. There were no changes to pre-acquisition carrying amounts.

Cash flow on purchase of subsidiaries, joint ventures and associates of £36m in the cash flow statement comprised £35m paid in respect of previous acquisitions and £1m investment in a joint venture.

Disposals and closure of business

During 2011, the group completed no business disposals. Cash flow on sale of subsidiaries, joint ventures and associates of £3m in the cash flow statement comprises receipts of deferred consideration in respect of previous business disposals.

During 2010, the group disposed of its Polish sugar business and some agricultural assets in South Africa. The group also announced the closure of its abattoir operations in Queensland, Australia. Costs associated with these disposals were included within cash and deferred consideration.

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

	2010 carrying values £m
NET ASSETS	
Intangible assets	1
Property, plant and equipment	82
Biological assets	3
Inventories	37
Trade and other receivables	20
Cash and cash equivalents	2
Trade and other payables	(37)
Intercompany payables	(13)
Loans	(7)
Taxation	(2)
Net identifiable assets and liabilities	86
Goodwill	29
Non-controlling interests	(3)
Recycle of effect of movements in foreign exchange	(28)
Profit less losses on sale and closure of business	28
Total consideration	112
SATISFIED BY	
Cash consideration	123
Deferred consideration	5
Provisions made	(16)
	112
NET CASH	
Cash consideration	125
Cash and cash equivalents disposed	(2)
Cash consideration in respect of previous disposals	3
	126

Provisions made on sale and closure of businesses mainly comprised rationalisation costs and warranty provisions.

The net cash of £126m in the disposal table above differs from the cash flow on sale of subsidiaries, joint ventures and associates shown in the cash flow statement by £122m as this cash was received in the preceding financial year.

22. Share-based payments

The group had the following equity-settled share-based payment plans in operation during the period:

Associated British Foods plc 1994 Share Option Scheme ('the 1994 Scheme')

This scheme was established by the Company in 1994. Under the terms of the 1994 Scheme, options to purchase ordinary shares in the Company were granted to selected qualifying employees over the ten years from November 1994. The options must be held for five years before they become exercisable. The exercise of options is not subject to specified performance criteria.

Associated British Foods 2000 Executive Share Option Scheme ('the 2000 Scheme')

This scheme was approved and adopted by the Company at the annual general meeting held on 15 December 2000. Under the terms of the 2000 Scheme, options to purchase ordinary shares in the Company may be granted to selected employees over the ten years from 15 December 2000. The options must be held for three years before they become exercisable. The exercise of an option under this scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance criteria which are based on growth in the group's profits.

Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan')

The Share Incentive Plan was approved and adopted by the Company at the annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period.

Further information regarding the operation of the above plans can be found on pages 50 and 51 of the Remuneration report.

Details of the group's equity-settled share-based payment plans are as follows:

	Balance outstanding at the beginning of the year	Granted/ awarded	Exercised	Vested	Expired/ lapsed	Balance outstanding at the end of the year	Options exercisable at the end of the year
2011							
the 2000 Scheme	75,000	–	(55,000)	–	(20,000)	–	–
the Share Incentive Plan	5,791,563	1,962,219	–	(1,132,093)	(1,248,329)	5,373,360	n/a
2010							
the 1994 Scheme	180,000	–	(180,000)	–	–	–	–
the 2000 Scheme	177,500	–	(102,500)	–	–	75,000	75,000
the Share Incentive Plan	5,142,081	2,340,377	–	(621,674)	(1,069,221)	5,791,563	n/a

	Weighted average exercise price of options							Range of exercise prices for options outstanding at the end of the year pence	Weighted average remaining contractual life of outstanding options at the end of the year years
	Outstanding at the beginning of the year pence	Granted pence	Exercised pence	Forfeited pence	Expired/ lapsed pence	Outstanding at the end of the year pence	Exercisable at the end of the year pence		
2011									
the 2000 Scheme	484.00	–	484.00	–	484.00	–	–	n/a	–
2010									
the 1994 Scheme	530.50	–	530.50	–	–	–	–	n/a	–
the 2000 Scheme	484.00	–	484.00	–	–	484.00	484.00	484.00	0.3

22. Share-based payments continued

The weighted average market price for share options exercised during the year was 1,106 pence (2010 – 918 pence).

Ordinary shares already issued and subject to option under the 1994 Scheme and the 2000 Scheme, or subject to allocation under the Share Incentive Plan, are held in a separate Employee Share Ownership Plan Trust. The Trust is funded by the Company. Voting rights attached to shares held by the Trust are exercisable by the trustee, who is entitled to consider any recommendation made by a committee of the Company. At 17 September 2011 the trust held 3,815,490 (2010 – 3,502,583) ordinary shares of the Company. The market value of these shares at the year end was £43m (2010 – £37m). The Trust has waived its right to dividends. Movements in the year were releases under the Share Incentive Plan of 1,132,093, share option exercises of 55,000 and purchases of 1,500,000 (2010 – releases under the Share Incentive Plan of 621,674, share option exercises of 282,500 and purchases of 500,000).

Fair values

The weighted average fair values for the 1994 Scheme and the 2000 Scheme were determined using a binomial lattice model (for share options) or by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid during the vesting period (for conditional allocations of shares).

The weighted average fair value of the shares awarded under the Share Incentive Plan during the year was 999 pence (2010 – 801 pence) and the weighted average share price was 1,074 pence (2010 – 862 pence). The dividend yield used was 2.5%.

No options were granted under the 1994 Scheme or the 2000 Scheme in either 2010 or 2011.

In accordance with the transitional provisions of IFRS 1, the group has recognised an expense in respect of all grants under these plans made after 7 November 2002 and unvested at 18 September 2004. The group recognised a total equity-settled share-based payment expense of £8m (2010 – £11m).

23. Analysis of net debt

	At 18 September 2010 £m	Cash flow £m	Exchange adjustments £m	**At 17 September 2011 £m**
Cash at bank and in hand, cash equivalents and overdrafts	309	(25)	7	**291**
Short-term borrowings	(331)	(342)	(6)	**(679)**
Loans over one year	(794)	(105)	2	**(897)**
	(816)	(472)	3	**(1,285)**

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 are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

24. Financial instruments

a) Carrying amount and fair values of financial assets and liabilities

	2011 £m	2010 £m
FINANCIAL ASSETS		
Cash and cash equivalents	**341**	345
LOANS AND RECEIVABLES:		
Trade and other receivables	**1,094**	948
Other non-current receivables (fair value 2011 – £186m; fair value 2010 – £182m)	**203**	191
AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Derivative assets not designated in a cash flow hedging relationship:		
– currency derivatives	**4**	4
– commodity derivatives	**1**	3
DESIGNATED CASH FLOW HEDGING RELATIONSHIPS:		
Derivative assets designated and effective as cash flow hedging instruments:		
– currency derivatives	**17**	21
– commodity derivatives	**4**	5
TOTAL FINANCIAL ASSETS	**1,664**	1,517
FINANCIAL LIABILITIES		
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables	**(1,410)**	(1,284)
Secured redeemable debenture stock (fair value 2011 – £174m; fair value 2010 – £183m)	**(150)**	(150)
Secured bank loans (fair value 2011 – £227m; fair value 2010 – £141m)	**(226)**	(140)
Unsecured bank loans and overdrafts (fair value 2011 – £1,312m; fair value 2010 – £934m)	**(1,238)**	(859)
Finance leases (fair value 2011 – £10m; fair value 2010 – £11m)	**(12)**	(12)
Provisions	**(136)**	(205)
AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Derivative liabilities not designated in a cash flow hedging relationship:		
– currency derivatives	**(2)**	(3)
– commodity derivatives	**(1)**	(3)
DESIGNATED CASH FLOW HEDGING RELATIONSHIPS:		
Derivative liabilities designated and effective as cash flow hedging instruments:		
– currency derivatives	**(12)**	(26)
– commodity derivatives	**(7)**	(6)
TOTAL FINANCIAL LIABILITIES	**(3,194)**	(2,688)
NET FINANCIAL LIABILITIES	**(1,530)**	(1,171)

Except where stated, carrying amount is equal to fair value.

24. Financial instruments continued

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

Financial asset/liability	Fair value determination
Cash and cash equivalents Trade receivables, other receivables and accrued income Trade payables, other payables and accruals	Fair values have been stated at book values due to short maturities or otherwise immediate or short-term access and realisability.
Other non-current investments (recorded within other non-current receivables)	These comprise minority shareholdings held primarily in privately owned, unquoted companies, where there is no active market available to value them. Where the fair value of the equity instruments cannot be reliably measured, they are recorded at cost. Where shareholdings are held in publicly quoted companies, bid price is used to estimate fair value.
Other long-term receivables Bank loans, overdrafts and debenture stock Finance leases	Fair values have been estimated by discounting expected future cash flows.
Derivatives	Fair values are typically determined either by reference to third-party valuations (usually from a bank), or by reference to readily observable market prices. The group's derivatives primarily cover a period of no more than 12 months from the balance sheet date, and information derived from an active market is almost always available to assist with the valuation of derivatives.
Provisions	These are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Consequently, fair value is equivalent to book value.

Valuation of financial instruments carried at fair value

Financial instruments carried at fair value in the balance sheet comprise other non-current investments and derivatives. The group classifies these financial instruments using a fair value hierarchy that reflects the relative significance of both objective evidence and subjective judgements on the inputs used in making the fair value measurements:

- Level 1: financial instruments are valued using observable inputs that reflect unadjusted quoted market prices in an active market for identical instruments. An example of an item in this category is a widely traded equity instrument with a normal quoted market price.
- Level 2: financial instruments are valued using techniques based on observable inputs, either directly (i.e. market prices and rates) or indirectly (i.e. derived from market prices and rates). An example of an item in this category is a currency derivative, where forward exchange rates and yield curve data which are observable in the market are used to derive fair value.
- Level 3: financial instruments are valued using techniques involving significant unobservable inputs.

24. Financial instruments continued

b) Derivatives

All derivatives are classified as current on the face of the balance sheet. The table below analyses the carrying amount of derivatives and their contractual/notional amounts, together with an analysis of derivatives by the level in the fair value hierarchy into which their fair value measurement method is categorised.

	2011				2010			
	Contractual/ notional amounts £m	**Level 1 £m**	**Level 2 £m**	**Total £m**	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m
Financial assets								
Currency derivatives	**927**	**–**	**21**	**21**	640	–	25	25
Commodity derivatives	**79**	**2**	**3**	**5**	66	7	1	8
	1,006	**2**	**24**	**26**	706	7	26	33
Financial liabilities								
Currency derivatives	**682**	**–**	**(15)**	**(15)**	849	–	(29)	(29)
Commodity derivatives	**74**	**(4)**	**(3)**	**(7)**	126	(7)	(2)	(9)
	756	**(4)**	**(18)**	**(22)**	975	(7)	(31)	(38)

c) Cash flow hedging reserve

The following table identifies the movements in the cash flow hedging reserve during the year, and the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact profit or loss are materially the same.

	2011			2010		
	Currency derivatives £m	**Commodity derivatives £m**	**Total £m**	Currency derivatives £m	Commodity derivatives £m	Total £m
Opening balance	**6**	**(4)**	**2**	19	13	32
Losses/(gains) recognised in the hedging reserve	**1**	**6**	**7**	(10)	10	–
Amount removed from the hedging reserve and included in the income statement due to settlement of contracts:						
– revenue	**3**	**(13)**	**(10)**	7	(20)	(13)
– cost of sales	**(2)**	**3**	**1**	(14)	(3)	(17)
– ineffectiveness recognised in the income statement	**–**	**–**	**–**	(1)	(1)	(2)
Amount removed from the hedging reserve and included in a non-financial asset due to settlement of contracts:						
– property, plant and equipment	**–**	**–**	**–**	1	–	1
– inventory	**(10)**	**6**	**(4)**	(6)	(4)	(10)
Deferred tax	**(2)**	**3**	**1**	10	1	11
Closing balance	**(4)**	**1**	**(3)**	6	(4)	2
Cash flows are expected to occur:						
– within six months	**(5)**	**1**	**(4)**	16	(5)	11
– between six months and one year	**1**	**–**	**1**	(10)	1	(9)
	(4)	**1**	**(3)**	6	(4)	2

The closing balance of £(3)m is attributable entirely to non-controlling interests (2010 – attributable £4m to equity shareholders and £(2)m to non-controlling interests). Movements in the year (net) of £(5)m (2010 – £(30)m) are attributable £(4)m to equity shareholders and £(1)m to non-controlling interests (2010 – £(28)m to equity shareholders and £(2)m to non-controlling interests).

d) Financial risk identification and management

The group is exposed to the following financial risks from its use of financial instruments:

- market risk;
- credit risk; and
- liquidity risk.

24. Financial instruments continued

The group's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Risk management policies and systems have been established and are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group sources and sells products and manufactures goods in a wide variety of locations around the world. These operations expose the group to potentially significant price volatility in the financial and commodity markets. Trading and risk management teams have been established in the group's major businesses to manage this exposure by entering into a range of products, including physical and financial forward contracts, futures and, where appropriate, options. These teams work closely with group Treasury and report regularly to executive management.

Treasury operations and commodity procurement are conducted within a clearly defined framework of board-approved policies and guidelines to manage the group's financial and commodity risks. Treasury works closely with the group's procurement teams to manage commodity risks. Treasury policy seeks to ensure that adequate financial resources are available to the group at all times, for the management and development of the group's businesses, whilst effectively managing its market risk and credit risk. The group's risk management policy explicitly forbids the use of financial or commodity derivatives (outside its risk management framework of mitigating financial and commodity risks) for speculative purposes.

e) Foreign currency translation

The group presents its financial statements in sterling. As a result of its diverse worldwide operations, the group is exposed to foreign currency translation risk where overseas operations have a functional currency other than sterling. Changes in foreign currency exchange rates impact the translation into sterling of both the income statement and net assets of these foreign operations.

Where appropriate, the group finances its operations by borrowing locally in the functional currency of its operations. This reduces net asset values reported in functional currencies other than sterling, thereby reducing the economic exposure to fluctuations in foreign currency exchange rates on translation.

The group also finances its operations by obtaining funding at group level through external borrowings and, where they are not in sterling, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations.

The group does not actively hedge the translation impact of foreign exchange rate movements on the income statement (other than via the partial economic hedge arising from the servicing costs on non-sterling borrowings), nor does it use derivatives to hedge its net investments in foreign operations.

The group designates certain of its intercompany loan arrangements as quasi-equity for the purposes of IAS 21. The effect of the designation is that any foreign exchange volatility arising within the borrowing entity and/or the lending entity is accounted for directly within other comprehensive income.

The group has foreign currency borrowings that have been designated as hedges of its net investment in foreign operations in euros and US dollars. The value of these financial liabilities used as hedging instruments at the balance sheet date was:

	2011 £m	2010 £m
Euro	**52**	50
US dollar	**296**	300
	348	350

The foreign exchange gain of £2m (2010 – loss of £11m) on retranslation of these loans has been taken to the translation reserve on consolidation. Of this balance, £1m was attributable to equity shareholders and £1m to non-controlling interests (2010 – loss of £9m to equity shareholders and loss of £2m to non-controlling interests).

24. Financial instruments continued

f) Market risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The group is exposed to changes in the market price of commodities, interest rates and foreign exchange rates. These risks are known as 'transaction' (or recognised) exposures and 'economic' (or forecast) exposures.

(i) Commodity price risk

Commodity price risk arises from the procurement of raw materials and the consequent exposure to changes in market prices.

The group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities including wheat, edible oils, soya beans, meat, sugar raws, cocoa, rice, tea and energy is managed through the use of forward physical contracts and hedging instruments, including futures and options contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the group's risk management policies and is continually monitored by group Treasury. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the group's overall pricing strategy.

Some of the group's commodity derivatives are treated as 'own use' contracts, since they are both entered into, and continue to be held, for the purposes of the group's ordinary operations, and the group takes physical delivery of the commodity concerned. 'Own use' contracts do not require accounting entries until the commodity purchase actually crystallises. Certain other commodity derivatives are accounted for as cash flow hedges, but some are not eligible for treatment as 'own use' contracts and are not contracts for which the strict requirements of hedge accounting can be satisfied. This occurs typically where the group does not take physical delivery of the commodity concerned. Such commodity derivatives are used only where the business believes they provide an economic hedge of an underlying exposure. These instruments are classified as held for trading and are marked to market through the income statement.

The majority of the group's forward physical contracts and commodity derivatives have original maturities of less than one year.

The group does not have significant sensitivities in respect of the accounting for its on-balance sheet commodity contracts.

(ii) Interest rate risk

Interest rate risk comprises two primary elements:

- interest price risk results from financial instruments bearing fixed interest rates. Changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments; and
- interest cash flow risk results from financial instruments bearing floating rates. Changes in floating interest rates affect cash flows on interest receivable or payable.

The group's policy is to maintain floating rate debt for a significant proportion of its bank finance, although it periodically assesses its position with respect to interest price and cash flow risk.

At 17 September 2011, £564m (35%) (2010 – £600m and 52%) of total debt was subject to fixed rates of interest. The group's fixed rate debt includes the US Private Placement loan of £394m (2010 – £397m) and the £150m $10\frac{3}{4}$% secured redeemable debenture stock 2013 (2010 – £150m).

Floating rate debt comprises bank borrowings bearing interest rates fixed in advance, for various time periods up to 12 months, by reference to official market rates (e.g. LIBOR).

The group does not have significant sensitivities to the impact of interest rates on derivative valuations, nor to the impact of interest rates on floating rate borrowings.

(iii) Foreign currency risk

The group conducts business worldwide and consequently in many foreign currencies. As a result, it is exposed to movements in foreign currency exchange rates which affect the group's transaction costs. The group also publishes its financial statements in sterling and is therefore exposed to movements in foreign exchange rates on the translation of the results and underlying net assets of its foreign operations into sterling.

Translation risk is discussed in section e) above.

24. Financial instruments continued

Transaction risk

Currency transaction exposure occurs where a business makes sales and purchases in a currency other than its functional currency. It also arises where monetary assets and liabilities of a business are not denominated in its functional currency, and where dividends or surplus funds are remitted from overseas. The group's policy is to match transaction exposures wherever possible, and to hedge actual exposures and firm commitments as soon as they occur by using forward foreign currency contracts. All foreign currency instruments contracted with non-group entities to manage transaction exposures are undertaken by group Treasury or, where foreign currency controls restrict group Treasury acting on behalf of subsidiaries, under its guidance. Identification of transaction exposures is the responsibility of each business.

The group uses derivatives (principally forward foreign currency contracts and time options) to hedge its exposure to movements in exchange rates on its foreign currency trade receivables and payables. The group does not seek formal fair value hedge accounting for such transaction hedges. Instead, such derivatives are classified as held for trading and marked to market through the income statement. This offsets the income statement impact of the retranslation of the foreign currency trade receivables and payables.

Economic (forecast) risk

The group also uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases on a rolling 12 month basis. The group does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the group's risk management policies and prevailing market conditions. The group documents currency derivatives used to hedge its forecast transactions as cash flow hedges. To the extent that cash flow hedges are effective, gains and losses are deferred in equity until the forecast transaction occurs, at which point the gains and losses are recycled either to the income statement or to the non-financial asset acquired.

The majority of the group's currency derivatives have original maturities of less than one year.

The group's most significant currency transaction exposures are:

- sugar prices in British Sugar UK to movements in the sterling/euro exchange rate;
- sugar prices in Illovo to movements in the South African rand/US dollar/euro exchange rates; and
- sourcing for Primark – costs are denominated in a number of currencies, predominantly sterling, euros and US dollars.

Elsewhere, a number of businesses make sales and purchase a variety of raw materials in foreign currencies (primarily US dollars and euros), giving rise to transaction exposures. In all other material respects, businesses tend to operate in their functional currencies and, as a result, further transaction exposure to foreign currency exchange rate movements is modest.

24. Financial instruments continued

The analysis of the group's foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

2011	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
FINANCIAL ASSETS					
Cash and cash equivalents	**7**	**59**	**31**	**7**	**104**
Trade and other receivables	**–**	**21**	**40**	**11**	**72**
	7	**80**	**71**	**18**	**176**
FINANCIAL LIABILITIES					
Trade and other payables	**(3)**	**(169)**	**(13)**	**(8)**	**(193)**
Secured bank loans	**–**	**(10)**	**–**	**(3)**	**(13)**
Unsecured bank loans and overdrafts	**–**	**(327)**	**(58)**	**–**	**(385)**
	(3)	**(506)**	**(71)**	**(11)**	**(591)**
CURRENCY DERIVATIVES					
Gross amounts receivable	**24**	**742**	**59**	**83**	**908**
Gross amounts payable	**(8)**	**(62)**	**(614)**	**(61)**	**(745)**
	16	**680**	**(555)**	**22**	**163**
	20	**254**	**(555)**	**29**	**(252)**

2010	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
FINANCIAL ASSETS					
Cash and cash equivalents	4	30	18	4	56
Trade and other receivables	–	19	32	12	63
	4	49	50	16	119
FINANCIAL LIABILITIES					
Trade and other payables	(1)	(72)	(24)	(15)	(112)
Secured bank loans	–	(2)	(1)	–	(3)
Unsecured bank loans and overdrafts	–	(303)	(53)	(1)	(357)
Non-currency derivatives	–	(3)	–	–	(3)
	(1)	(380)	(78)	(16)	(475)
CURRENCY DERIVATIVES					
Gross amounts receivable	19	717	66	53	855
Gross amounts payable	(11)	(26)	(571)	(19)	(627)
	8	691	(505)	34	228
	11	360	(533)	34	(128)

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2011	2010	**2011**	2010
US dollar	**1.60**	1.56	**1.58**	1.56
Euro	**1.15**	1.15	**1.15**	1.20
Rand	**11.09**	11.68	**11.72**	11.17
Renminbi	**10.51**	10.65	**10.08**	10.50
Australian dollar	**1.57**	1.74	**1.53**	1.67

24. Financial instruments continued

Sensitivity analysis

The following sensitivity analysis illustrates the impact that a 10% strengthening of the group's operating currencies against local functional currencies would have had on profit and equity. The analysis covers currency translation exposures at year end on businesses' financial assets and liabilities that are not denominated in the functional currencies of those businesses. A similar but opposite impact would be felt on both profit and equity if the group's main operating currencies weakened against local functional currencies by a similar amount.

The exposure to foreign exchange gains and losses on translating the financial statements of subsidiaries into sterling is not included in this sensitivity analysis, as there is no impact on the income statement, and the gains and losses are recorded directly in the translation reserve in equity (see below for a separate sensitivity). This sensitivity is presented before taxation and non-controlling interests.

10% STRENGTHENING AGAINST OTHER CURRENCIES OF	2011 impact on profit for the year +/- £m	2011 impact on total equity +/- £m	2010 impact on profit for the year +/- £m	2010 impact on total equity +/- £m
Sterling	–	2	1	3
US dollar	17	41	11	36
Euro	4	(63)	(1)	(53)
Other	1	5	–	3

A second sensitivity analysis calculates the impact on the group's profit before tax if the average rates used to translate the results of the group's foreign operations into sterling were adjusted to show a 10% strengthening of sterling. A similar but opposite impact would be felt on profit before tax if sterling weakened against the other currencies by a similar amount.

10% STRENGTHENING OF STERLING AGAINST	2011 impact on profit for the year +/- £m	2010 impact on profit for the year +/- £m
US dollar	(6)	(6)
Euro	(7)	(7)
Rand	3	(6)
Renminbi	(2)	2
Australian dollar	–	(1)

g) Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The group's businesses are exposed to counterparty credit risk when dealing with customers, and from certain financing activities.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 17 September 2011. The group considers its maximum exposure to credit risk to be:

	2011 £m	2010 £m
Cash and cash equivalents	341	345
Loans and receivables (refer to note 24a)	1,297	1,139
Financial assets at fair value through profit and loss		
– derivative assets	5	7
Designated cash flow hedging relationships		
– derivative assets	21	26
	1,664	1,517

The majority of cash balances and short-term deposits are held with strong investment-grade banks or financial institutions.

As at 17 September 2011, there were no significant financial guarantees or third-party obligations that increased the credit risk of the financial assets set out above.

The group uses market knowledge, changes in credit ratings and other techniques to identify significant changes to the financial profile of its counterparties.

24. Financial instruments continued

Trade and other receivables

Concentrations of credit risk are limited as a result of the group's large and diverse customer base. The group has an established credit policy applied by each business under which the credit status of each new customer is reviewed before credit is advanced. This includes external credit evaluations where possible and in some cases bank references. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of management. Outstanding debts are continually monitored by each business. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the group's benchmark creditworthiness may only transact with the group on a prepayment basis. Aggregate exposures are monitored at group level.

Many of the group's customers have been transacting with the group for many years and the incidence of bad debts has been low. Where appropriate, goods are sold subject to retention of title so that, in the event of non-payment, the group may have a secured claim. The group does not typically require collateral in respect of trade and other receivables.

The group provides for impairment of financial assets including trade and other receivables based on known events, and makes a collective provision for losses yet to be identified, based on historical data. The majority of the provision comprises specific amounts.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

	2011 £m	2010 £m
UK	**379**	315
Europe & Africa	**209**	189
The Americas	**132**	129
Asia Pacific	**374**	315
	1,094	948

Trade receivables can be analysed as follows:

	2011 gross £m	2010 gross £m
Not overdue	**821**	716
Up to 1 month past due	**92**	94
Between 1 and 2 months past due	**21**	20
Between 2 and 3 months past due	**9**	10
More than 3 months past due	**34**	33
Provision for doubtful debts	**(38)**	(38)
At 17 September 2011	**939**	835

Based on past experience, the group believes that no impairment allowance is necessary in respect of trade receivables that are not past due.

Trade and other receivables are stated net of the following provision for irrecoverable amounts:

	2011 £m	2010 £m
Opening balance	**38**	38
Amounts provided for during the year	**10**	9
Amounts released during the year	**(5)**	(2)
Amounts utilised during the year	**(5)**	(8)
Effect of movements in foreign exchange	**–**	1
Closing balance	**38**	38

No trade and other receivables (2010 – none) were written off directly to the income statement in the year.

The directors consider that the carrying amount of trade and other receivables approximates fair value.

Cash and cash equivalents

Banking relationships are generally limited to those banks that are members of the core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. In locations where the core relationship banking group cannot be used, operating procedures including choice of bank, opening of bank accounts and repatriation of funds must be agreed with group Treasury. The group has not recorded impairments against cash or cash equivalents, nor have any recoverability issues been identified with such balances. Such items are typically recoverable on demand or in line with normal banking arrangements.

24. Financial instruments continued

Other financial assets

Other non-current investments are typically equity investments with no fixed maturity or recoverability date. No impairment issues have been identified with respect to other non-current investments.

Since derivative assets are recorded at fair value, either through profit and loss for those not in a designated cash flow hedging relationship, or otherwise through the hedging reserve, no impairment issues have been identified.

h) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. Group Treasury is responsible for monitoring and managing liquidity and ensures that the group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The group also has access to uncommitted facilities to assist with short-term funding requirements.

Available headroom is monitored via the use of detailed cash flow forecasts prepared by each business, which are reviewed at least quarterly, or more often, as required. Actual results are compared to budget and forecast each period, and variances investigated and explained. Particular focus is given to management of working capital.

Details of the group's borrowing facilities are given in section i).

The following table analyses the contractual undiscounted cash flows relating to financial liabilities at the balance sheet date and compares them to carrying amounts:

				2011				
	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade and other payables	18	**(1,383)**	**(27)**	**–**	**–**	**–**	**(1,410)**	**(1,410)**
Secured redeemable debenture stock	17	**(5)**	**(8)**	**(166)**	**–**	**–**	**(179)**	**(150)**
Secured bank loans	17	**(11)**	**(26)**	**(68)**	**(85)**	**(36)**	**(226)**	**(226)**
Unsecured bank loans and overdrafts	17	**(625)**	**(92)**	**(119)**	**(377)**	**(151)**	**(1,364)**	**(1,238)**
Finance leases	25	**(1)**	**–**	**(1)**	**(2)**	**(39)**	**(43)**	**(12)**
Provisions	19	**(26)**	**(5)**	**(103)**	**(7)**	**–**	**(141)**	**(136)**
DERIVATIVE FINANCIAL LIABILITIES								
– Currency derivatives (net payments)		**(11)**	**(5)**	**–**	**–**	**–**	**(16)**	**(14)**
– Commodity derivatives (net payments)		**(17)**	**(7)**	**–**	**–**	**–**	**(24)**	**(8)**
TOTAL FINANCIAL LIABILITIES		**(2,079)**	**(170)**	**(457)**	**(471)**	**(226)**	**(3,403)**	**(3,194)**

				2010				
	Note	Due within 6 months £m	Due between 6 months and 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due after 5 years £m	Contracted amount £m	Carrying amount £m
NON-DERIVATIVE FINANCIAL LIABILITIES								
Trade and other payables	18	(1,240)	(44)	–	–	–	(1,284)	(1,284)
Secured redeemable debenture stock	17	(5)	(8)	(16)	(166)	–	(195)	(150)
Secured bank loans	17	(38)	(33)	(52)	(21)	–	(144)	(140)
Unsecured bank loans and overdrafts	17	(253)	(61)	(56)	(406)	(242)	(1,018)	(859)
Finance leases	25	(1)	–	(1)	(2)	(40)	(44)	(12)
Provisions	19	(51)	(48)	(17)	(90)	(14)	(220)	(205)
DERIVATIVE FINANCIAL LIABILITIES								
– Currency derivatives (net payments)		(28)	(4)	–	–	–	(32)	(29)
– Commodity derivatives (net payments)		(4)	6	–	–	–	2	(9)
TOTAL FINANCIAL LIABILITIES		(1,620)	(192)	(142)	(685)	(296)	(2,935)	(2,688)

The above tables do not include forecast data for liabilities which may be incurred in the future but which were not contracted at 17 September 2011.

The principal reasons for differences between carrying values and contractual undiscounted cash flows are coupon payments on the secured redeemable debenture stock and other fixed rate debt to which the group is already committed, future interest payments on the group's finance leases, and cash flows on derivative financial instruments which are not aligned with their fair value.

24. Financial instruments continued

i) Borrowing facilities

The group has substantial borrowing facilities available to it. The undrawn committed facilities available at 17 September 2011 in respect of which all conditions precedent have been met amounted to £911m (2010 – £1,219m):

	2011			2010		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
£1.15bn syndicated facility	**1,150**	**438**	**712**	1,150	33	1,117
US private placement	**394**	**394**	**–**	397	397	–
British Sugar secured redeemable debenture stock	**150**	**150**	**–**	150	150	–
European Investment Bank	**120**	**120**	**–**	120	120	–
Illovo	**255**	**183**	**72**	118	103	150
Azucarera	**227**	**111**	**116**	192	111	81
Other	**28**	**17**	**11**	19	13	6
	2,324	**1,413**	**911**	2,146	927	1,219

Uncommitted facilities available at 17 September 2011 were:

	2011			2010		
	Facility £m	**Drawn £m**	**Undrawn £m**	Facility £m	Drawn £m	Undrawn £m
Money market lines	**100**	**21**	**79**	60	43	17
Illovo	**130**	**37**	**93**	192	44	148
China banking	**419**	**115**	**304**	262	126	136
Other	**121**	**28**	**93**	115	21	94
	770	**201**	**569**	629	234	395

In addition to the above facilities there are also £75m (2010 – £66m) of undrawn and available credit lines for the purposes of issuing letters of credit and guarantees in the normal course of business.

The group also has £12m of finance lease liabilities which are not included in the tables above, but which are included in the group's loans and overdrafts in note 17.

The £1.15bn syndicated facility matures in July 2015. In addition to the bank debt, the Company has £394m of private placement notes in issue to institutional investors in the US and Europe. At 17 September 2011, these had an average remaining duration of 4.2 years and an average fixed coupon of 7.1%. The other significant core committed debt facilities comprise a £150m debenture loan (maturing 2013), £120m EIB loan (maturing 2015), as well as local committed facilities in Illovo and Azucarera.

Uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time.

Refer to note 9 for details of the group's capital commitments and to note 26 for a summary of the group's guarantees. An assessment of the group's current liquidity position is given in the Financial review on page 29.

24. Financial instruments continued

j) Capital management

The capital structure of the group is presented in the balance sheet. The statement of changes in equity provides details on equity and note 17 provides details of loans and overdrafts. Short and medium-term funding requirements are provided by a variety of loan and overdraft facilities, both committed and uncommitted, with a range of counterparties and maturities. Longer term funding is sourced from a combination of these facilities, the private placement notes and committed syndicated loan facilities.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to enable successful future development of the business. The board monitors return on capital by division and determines the overall level of dividends payable to shareholders.

From time to time the trustee of the Employee Share Ownership Plan Trust purchases the Company's shares in the market to satisfy awards under the group's share option scheme and long-term incentive plan. Once purchased, shares are not sold back into the market. The group does not have a defined share buy-back plan.

There were no changes to the group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. Lease commitments

Operating leases

The group acts as a lessee, lessor and sub-lessor both for land and buildings, and plant and machinery, under operating leases.

Sublease receipts of £3m (2010 – £3m) were recognised in the income statement in the period, the majority relating to operating leases. The total of future minimum sublease receipts expected to be received is £53m (2010 – £35m).

Under the terms of the lease agreements, no contingent rents are payable.

The future minimum lease payments under operating leases are as follows:

	2011 £m	2010 £m
Within one year	**136**	113
Between one and five years	**539**	394
After five years	**1,843**	1,391
	2,518	1,898

Finance leases

Finance lease liabilities are payable as follows:

	2011 minimum lease payments £m	**2011 interest £m**	**2011 principal £m**	2010 minimum lease payments £m	2010 interest £m	2010 principal £m
Within one year	**1**	**1**	**–**	1	1	–
Between one and five years	**3**	**2**	**1**	3	2	1
After five years	**39**	**28**	**11**	40	29	11
	43	**31**	**12**	44	32	12

26. Contingencies

Litigation and other proceedings against companies in the group are not considered material in the context of these financial statements.

The group has adopted the amendments to IAS 39 in relation to financial guarantee contracts which apply for periods commencing on or after 1 January 2006. Where group companies enter into financial guarantee contracts to guarantee the indebtedness of other group companies, the group considers these to be insurance arrangements and has elected to account for them as such in accordance with IFRS 4. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the relevant group company issuing the guarantee will be required to make a payment under the guarantee.

As at 17 September 2011, group companies have provided guarantees in the ordinary course of business amounting to £645m (2010 – £403m).

27. Related parties

The group has a controlling related party relationship with its parent company, which is also its ultimate parent company (see note 28). The group also has a related party relationship with its associates and joint ventures (see note 28) 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	**2011 £000**	2010 £000
Charges to Wittington Investments Limited in respect of services provided by the Company and its subsidiary undertakings		**249**	240
Dividends paid by Associated British Foods and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation	1	**6,960**	6,447
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation		**952**	858
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	2	**18**	7
(iv) a member of the Weston family employed within the Associated British Foods group	3	**706**	634
Sales to fellow subsidiary undertakings on normal trading terms	4	**2,802**	3,296
Sales to companies with common key management personnel on normal trading terms	5	**14,870**	5,439
Amounts due from fellow subsidiary undertakings	4	**23**	243
Amounts due from a company with common key management personnel	5	**1,530**	588
Sales to joint ventures on normal trading terms	6, 7	**36,421**	156,565
Sales to associates on normal trading terms	6	**15,116**	34,674
Purchases from joint ventures on normal trading terms	6	**273,533**	245,531
Purchases from associates on normal trading terms	6	**23,149**	18,694
Amounts due from joint ventures	6	**196,288**	151,514
Amounts due from associates	6	**1,509**	1,850
Amounts due to joint ventures	6	**11,859**	22,626
Amounts due to associates	6	**804**	466

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 17 September 2011 was the beneficial owner of 683,073 shares (2010 – 683,073 shares) in Wittington Investments Limited representing 79.2% (2010 – 79.2%) of that company's issued share capital and is, therefore, the Company's ultimate controlling party. At 17 September 2011 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. Details of the directors are given on page 35. Their interests, including family interests, in the Company and its subsidiary undertakings are given on page 54. Key management personnel are considered to be the directors, and their remuneration is disclosed within the Remuneration report on page 52.
3. 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.
4. The fellow subsidiary undertaking is Fortnum and Mason plc.
5. The companies with common key management personnel are in the George Weston Limited group, in Canada.
6. Details of the group's principal joint ventures and associates are set out in note 28.
7. Until February 2010, sales were made by ACH to Stratas Foods under the transitional supply agreement entered into on creation of the joint venture.

Amounts due from joint ventures comprise £19m (2010 – £20m) of finance lease receivables (see note 14) and £150m (2010 – £126m) of loan receivables. The remainder of the balance is trading balances. The loan receivables are all non-current (2010 – all non-current), and all but £3m (2010 – £2m) of the finance lease receivables are non-current.

28. Group entities

Control of the group

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited, the accounts of which are available at Companies House, Crown Way, Cardiff CF14 3UZ. It is the ultimate holding company, is incorporated in Great Britain and is registered in England.

At 17 September 2011 Wittington Investments Limited together with its subsidiary, Howard Investments Limited, held 431,515,108 ordinary shares (2010 – 431,515,108) representing in aggregate 54.5% (2010 – 54.5%) of the total issued ordinary share capital of Associated British Foods plc.

Significant subsidiaries

A list of the group's significant subsidiaries is given below. The entire share capital of the companies listed is held within the group except where percentages are shown. These percentages give the group's ultimate interest and therefore allow for the situation where subsidiaries are owned by partly owned intermediate subsidiaries.

	Country of incorporation
MANUFACTURING ACTIVITIES	
AB Agri Limited	UK
AB Brasil Industria e comercio de Alimentos LTDA	Brazil
AB Calsa SA de C.V.	Mexico
AB Enzymes GmbH	Germany
AB Enzymes Oy	Finland
ABF Grain Products Limited	UK
AB Food & Beverages Australia Pty Ltd	Australia
AB Food & Beverages Philippines, Inc.	Philippines
AB Food & Beverages (Thailand) Limited	Thailand
AB (Harbin) Food Ingredients Company Limited	China
AB Mauri Food, S.A.	Spain
AB Mauri India (Private) Limited	India
AB Mauri Vietnam Ltd (66%)	Vietnam
Abitec Corporation	US
ABNA Feed (Liaoning) Co., Ltd	China
ABNA (Shanghai) Feed Co., Ltd	China
AB World Foods Limited	UK
ACH Food Companies, Inc.	US
Alimentos Capullo.S.de R.L.de C.V.	Mexico
Anzchem Pty Limited	Australia
Azucarera Ebro, S.L.U.	Spain
Bo Tian Sugar Industry Company Limited	China
British Sugar (Overseas) Limited	UK
British Sugar plc	UK
Calsa de Colombia S.A.	Colombia
Casteggio Lieviti S.r.l.	Italy
Cereform Limited	UK
Compañia Argentina de Levaduras S.A.I.C	Argentina
Food Investments Limited	UK
Foods International S.A.S.	France
G. Costa and Company Limited	UK
George Weston Foods Limited	Australia
George Weston Foods (NZ) Limited	New Zealand
Germain's (UK) Limited	UK
Guangxi Bo Hua Food Co., Ltd (71%)	China
Guangxi Boqing Food Co., Ltd (60%)	China
Guangxi Boxuan Food Co., Ltd (70%)	China
Harbin Mauri Yeast Co., Ltd (85%)	China
Hebei Mauri Food Co., Ltd	China

	Country of incorporation
MANUFACTURING ACTIVITIES	
Illovo Sugar Limited (51%)	South Africa
Illovo Sugar (Malawi) Limited (39%)	Malawi
Jacksons of Piccadilly Limited	UK
Kilombero Sugar Company Limited (28%)	Tanzania
Maragra Acucar SARL (46%)	Mozambique
Mauri Fermentos II, SA (96%)	Portugal
Mauri Lanka (Private) Limited	Sri Lanka
Mauri Maya Sanayi A.S.	Turkey
Mauri Products Limited	UK
Patak's Foods Limited	UK
Premier Nutrition Products Limited	UK
R. Twining and Company Limited	UK
Shanghai AB Food & Beverages Co., Ltd	China
SPI Pharma Inc.	US
The Billington Food Group Limited	UK
The Jordans & Ryvita Company Limited (73%)	UK
Twinings North America Inc.	US
Ubombo Sugar Limited (31%)	Swaziland
Wander AG	Switzerland
Yeast Products Company	Republic of Ireland
Zambia Sugar plc (42%)	Zambia
RETAILING ACTIVITIES	
Lojas Primark Portugal-Exploracao, Gastao e Administracao de Espacos Comerciais S.A.	Portugal
Primark	Republic of Ireland
Primark Deutschland GmbH	Germany
Primark Netherlands NV	Netherlands
Primark NV	Belgium
Primark Stores Limited	UK
Primark Tiendas S.L.U.	Spain
INVESTMENT AND OTHER ACTIVITIES	
AB Exploration Limited	UK
ABF European Holdings & Co SNC	Luxembourg
A.B.F. Holdings Limited	UK
ABF Investments plc	UK
ABF Overseas Limited	UK
ABF (UK) Limited	UK
Talisman Guernsey Limited	Guernsey, Channel Islands

The group's interest in subsidiaries are all equity investments.

British Sugar (Overseas) Limited operates subsidiaries in Asia. Other than this company, each subsidiary operates mainly in its country of incorporation.

28. Group entities continued

Interest in joint ventures and associates

A list of the group's significant interests in joint ventures and associates is given below:

	Country of incorporation	Issued ordinary share capital Total	Group %
JOINT VENTURES			
Levaduras Collico S.A.	Chile	CLP1,834,390,000	50
Roal Oy	Finland	€3,196,000	50
Qingdao Xinghua Cereal Oil & Foodstuff Co., Ltd	China	CNY24,844,000	25
Frontier Agriculture Limited	UK	£36,000,104	50
Vivergo Fuels Limited	UK	£60,800,000	45
Stratas Foods LLC	US	US$2	50
Uniferm Verwaltungs GmbH	Germany	€2	50
ASSOCIATES			
C. Czarnikow Limited	UK	£1,000,000	43
Harper-Love Adhesives Corporation	US	US$13,200	50
New Food Coatings Pty Ltd	Australia	A$150,000	50
Murray Bridge Bacon Pty Ltd	Australia	A$12,000,000	20
Gledhow Sugar Company Limited	South Africa	ZAR10,000	15

Each joint venture and associate carries out manufacturing and food processing activities and operates mainly in its country of incorporation.

The companies listed herein are those subsidiaries, joint ventures and associates whose results or financial position, in the opinion of the directors, principally affected the figures shown in these annual accounts as a list of all group companies would result in information of excessive length being given. A full list of subsidiaries will be annexed to the next annual return of Associated British Foods plc delivered to the Registrar of Companies.

Company balance sheet

at 17 September 2011

	Note	2011 £m	2010 £m
FIXED ASSETS			
Intangible assets	1	**29**	34
Investments in subsidiaries	2	**633**	629
		662	663
CURRENT ASSETS			
Debtors			
– due within one year	3	**3,268**	3,057
– due after one year	3	**1,208**	963
Cash at bank and in hand		**3**	13
		4,479	4,033
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts – unsecured		**(471)**	(80)
Other creditors	4	**(1,765)**	(1,520)
		(2,236)	(1,600)
NET CURRENT ASSETS		**2,243**	2,433
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,905**	3,096
CREDITORS: amounts falling due after one year			
Bank loans – unsecured		**(510)**	(511)
Amounts owed to subsidiaries	4	**(2,034)**	(2,463)
		(2,544)	(2,974)
NET ASSETS EXCLUDING PENSION LIABILITY		**361**	122
Net pension liability		**(13)**	(11)
NET ASSETS		**348**	111
CAPITAL AND RESERVES			
Issued share capital	5	**45**	45
Capital redemption reserve	5	**2**	2
Profit and loss reserve including pension reserve	5	**301**	64
EQUITY SHAREHOLDERS' FUNDS		**348**	111

The financial statements on pages 108 to 112 were approved by the board of directors on 8 November 2011 and were signed on its behalf by:

Charles Sinclair
Chairman

John Bason
Director

Reconciliation of movements in equity shareholders' funds

for the 52 weeks ended 17 September 2011

	2011 £m	2010 £m
Profit for the financial year	**435**	77
Redemption of deferred shares	**–**	(2)
Net movement in own shares held	**(8)**	5
Actuarial losses on defined benefit pension scheme	**–**	(3)
Dividends	**(190)**	(171)
NET INCREASE/(DECREASE) IN EQUITY SHAREHOLDERS' FUNDS	**237**	(94)
Opening equity shareholders' funds	**111**	205
CLOSING EQUITY SHAREHOLDERS' FUNDS	**348**	111

Accounting policies

for the 52 weeks ended 17 September 2011

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest million. They are prepared under the historical cost convention, except that derivative financial instruments are stated at their fair value, and in accordance with applicable United Kingdom accounting standards (UK GAAP) and the Companies Act 2006.

As permitted by section 408(4) of the Companies Act 2006, a separate profit and loss account for the Company has not been included in these financial statements. As permitted by FRS 1, no cash flow statement for the Company has been included on the grounds that the group includes the Company in its own published consolidated financial statements. As permitted by FRS 8, no related party disclosures in respect of transactions with wholly owned subsidiaries have been included.

The Company has taken advantage of the exemption in FRS 25 *Financial Instruments: Disclosure and Presentation*, not to prepare a note to the financial statements relating to financial instruments as the information is available in the published financial statements of the group.

Intangible assets – goodwill

Intangible assets consist of goodwill arising on acquisitions since 17 September 1998, being the excess of the fair value of the purchase consideration of businesses over the fair value of net assets acquired. Goodwill is capitalised in accordance with FRS 10 and amortised over its useful life, not exceeding 20 years. Goodwill previously written off against reserves has not been reinstated.

Investments in subsidiaries

Investments in subsidiaries are reported at cost less any provision for impairment.

Financial instruments

All financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, and thereafter at amortised cost.

Pensions and other post-employment benefits

The Company operates defined contribution and defined benefit pension schemes. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable. The principal defined benefit scheme is a multi-employer scheme and the Company is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis. Hence, contributions to this scheme are accounted for as if they were contributions to a defined contribution scheme. The Company has one small unfunded defined benefit scheme which it accounts for in accordance with FRS 17 using the advice of professional actuaries. The amount charged to the profit and loss account is the cost of benefits accruing to employees over the year, plus any benefit improvements granted to members during the year. It also includes a charge equal to the expected interest on plan liabilities over the year. The present value of plan liabilities is disclosed as a liability on the balance sheet net of any related deferred tax.

Share-based payments

The Share Incentive Plan allows employees of the Company to receive allocations of shares to be distributed subject to attainment of certain financial performance criteria and typically after a three-year performance period. The fair value of the shares to be awarded is recognised as an employee expense with a corresponding increase in reserves. The fair value is measured at grant date and spread over the period during which the executives become unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Where the Company grants allocations of shares to employees of its subsidiaries, these are accounted for on the same basis as for allocations to employees of the Company, except that the fair value is recognised as an increase to investment in subsidiaries with a corresponding increase in reserves.

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

Shares in the Company are held in a separate trust and are deducted in arriving at equity shareholders' funds.

for the 52 weeks ended 17 September 2011

1. Intangible assets – goodwill

	£m
COST	
At 18 September 2010 and 17 September 2011	**71**
AMORTISATION	
At 18 September 2010	37
Provided during the year	5
AT 17 SEPTEMBER 2011	**42**
NET BOOK VALUE	
Net book value at 18 September 2010	34
NET BOOK VALUE AT 17 SEPTEMBER 2011	**29**

2. Investments in subsidiaries

	£m
At 18 September 2010	629
Additions	4
AT 17 SEPTEMBER 2011	**633**

The additions relate to the allocation of shares under the Share Incentive Plan to employees of the Company's subsidiaries.

There were no provisions for impairment in either year.

3. Debtors

	2011 £m	2010 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed by subsidiaries	**3,228**	3,004
Other debtors	**12**	5
Corporation tax recoverable	**28**	48
	3,268	3,057
AMOUNTS FALLING DUE AFTER ONE YEAR		
Amounts owed by subsidiaries	**1,208**	963

The directors consider that the carrying amount of debtors approximates their fair value.

4. Other creditors

	2011 £m	2010 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Other taxation and social security	**1**	1
Accruals and deferred income	**16**	17
Amounts owed to subsidiaries	**1,748**	1,502
	1,765	1,520
AMOUNTS FALLING DUE AFTER ONE YEAR		
Amounts owed to subsidiaries	**2,034**	2,463

The directors consider that the carrying amount of creditors approximates their fair value.

5. Capital and reserves

	Ordinary shares of $5^{15/22}$p each 000	Nominal value £m
ISSUED AND FULLY PAID		
At 18 September 2010 and 17 September 2011	791,674	45

At 17 September 2011, the Company's issued share capital comprised 791,674,183 ordinary shares at $5^{15/22}$p each, carrying one vote per share.

	Share capital £m	Capital redemption reserve £m	Profit and loss reserve £m	Total £m
At 18 September 2010	45	2	64	111
Net movement in own shares held	–	–	(8)	(8)
Profit for the year	–	–	435	435
Dividends	–	–	(190)	(190)
AT 17 SEPTEMBER 2011	**45**	**2**	**301**	**348**

Capital redemption reserve

The capital redemption reserve arose following redemption of two million £1 deferred shares in 2010.

Dividends

Details of dividends paid and proposed are provided in note 6 to the consolidated financial statements.

Own shares held reserve and share-based payments

Ordinary shares already issued and subject to option under the Associated British Foods plc 1994 Share Option Scheme and the Executive Share Option Scheme 2000, or subject to allocation under the Associated British Foods plc Executive Share Incentive Plan 2003, are held in a separate Employee Share Ownership Plan Trust. The Trust is funded by the Company. Voting rights attached to shares held by the Trust are exercisable by the trustee, who is entitled to consider any recommendation made by a committee of the Company. At 17 September 2011, the Trust held 3,815,490 (2010 – 3,502,583) ordinary shares of the Company. The market value of these shares at the year end was £43m (2010 – £37m). The Trust has waived its right to dividends. Refer to note 22 of the consolidated financial statements for further information on the group and Company's share-based payment plans.

6. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company has provided £57m of guarantees in the ordinary course of business as at 17 September 2011 (2010 – £52m).

7. Related parties

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

Material transactions and year end balances with related parties (excluding wholly owned subsidiaries) were as follows:

	Sub note	2011 £000	2010 £000
Charges to Wittington Investments Limited in respect of services provided by the Company		**249**	240
Charges to a fellow subsidiary	1	**–**	1
Dividends paid by the Company and received in a beneficial capacity by:			
(i) trustees of the Garfield Weston Foundation	1	**6,960**	6,447
(ii) directors of Wittington Investments Limited who are not trustees of the Foundation	1	**952**	858
(iii) directors of the Company who are not trustees of the Foundation and are not directors of Wittington Investments Limited	1	**18**	7
(iv) a member of the Weston family employed within the Associated British Foods group	1	**706**	634
Charges to non-wholly owned subsidiaries	2	**844**	1,030
Interest income earned from non-wholly owned subsidiaries	2	**50**	–
Interest paid to non-wholly owned subsidiaries	2	**–**	52
Amounts due from non-wholly owned subsidiaries	2	**973**	–
Amounts due to non-wholly owned subsidiaries	2	**9**	639
Other income from joint ventures and associates on normal trading terms	2	**–**	4
Interest income earned from joint ventures	2	**–**	1,360

1. Details of the nature of the relationships with these bodies are set out in note 27 of the consolidated financial statements.
2. Details of the Company's subsidiaries, joint ventures and associates are set out in note 28 of the consolidated financial statements.

8. Other information

Emoluments of directors

The remuneration of the directors of the Company is shown in the Remuneration report for the group on page 52.

Employees

The Company had an average of 109 employees in 2011 (2010 – 103).

The Company is a member of the Associated British Foods Pension Scheme, providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent basis, as permitted by FRS 17, the scheme is accounted for by the Company as if it were a defined contribution scheme.

On 30 September 2002 the scheme was closed to new members, with defined contribution arrangements introduced for these members. For the defined contribution scheme, the pension costs are the contributions payable.

The last actuarial valuation of the Associated British Foods Pension Scheme was carried out as at 5 April 2008. At the valuation date the total market value of the assets of the scheme was £2,223m and represented 93% of the benefits that had accrued to members after allowing for expected future increases in earnings. Following completion of the actuarial valuation, the Company agreed to make five annual payments of £30m in order to eliminate the deficit at 5 April 2008. The third of these payments was made in March 2011.

The particulars of the actuarial valuation of the scheme are contained in note 12 in the consolidated financial statements. There is no material difference in the valuation methodologies under IAS 19 and FRS 17.

Auditors' fees

Note 2 to the consolidated financial statements of the group provides details of the remuneration of the Company's auditors on a group basis.

Financial statements
Progress report

Saturday nearest to 15 September

	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Revenue	6,800	8,235	9,255	10,167	**11,065**
Adjusted operating profit	622	664	720	909	**920**
Exceptional items	–	(46)	–	–	**–**
Amortisation of non-operating intangibles	(74)	(74)	(82)	(81)	**(83)**
Profits less losses on disposal of non-current assets	8	10	(1)	(9)	**5**
Inventory fair value adjustment	–	–	(12)	–	**–**
Profits less losses on sale and closure of businesses	(39)	5	(65)	28	**–**
Finance income	20	21	17	12	**9**
Finance expense	(55)	(74)	(95)	(88)	**(101)**
Other financial income/(expense)	26	21	13	(8)	**7**
Profit before taxation	508	527	495	763	**757**
Taxation	(108)	(136)	(112)	(194)	**(180)**
Profit for the period	400	391	383	569	**577**
Basic and diluted earnings per ordinary share (pence)	46.7	45.2	45.5	69.3	**68.7**
Adjusted earnings per share (pence)	52.9	54.9	57.7	72.2	**74.0**
Dividends per share (pence)	19.5	20.25	21.0	23.8	**24.75**

Shareholder information
Company directory

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

Company registered in England, number 293262

Company Secretary
Paul Lister

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

Auditors
KPMG Audit Plc Chartered Accountants

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

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

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

Timetable
Interim dividend paid
8 July 2011

Final dividend to be paid
13 January 2012

Annual general meeting
9 December 2011

Interim results to be announced
24 April 2012

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Annual Report and Accounts please visit
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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.

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