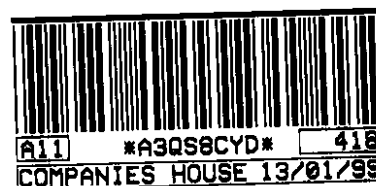
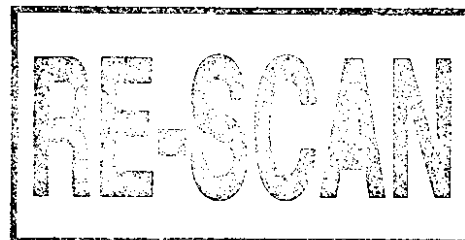


COMPANY No. 306672

ABF INVESTMENTS plc

ANNUAL REPORT AND ACCOUNTS 1998



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ABF INVESTMENTS plc
ANNUAL REPORT AND ACCOUNTS 1998

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ABF INVESTMENTS plc
DIRECTORS AND ADVISORS

Directors Garry H Weston *Chairman*
 Harold W Bailey
 Trevor HM Shaw

Secretary Trevor HM Shaw

Registered office Weston Centre
 Bowater House
 68 Knightsbridge
 London SW1X 7LQ
 Company registered in England, number 306672

Auditors KPMG Audit Plc
 Chartered Accountants

Bankers Bank of Scotland
 Barclays Bank plc
 Girobank plc
 Lloyds Bank plc
 National Westminster Bank plc

ABF INVESTMENTS plc

REPORT OF THE DIRECTORS

The directors submit to the members their sixty third annual report together with the financial statements of the company for the year ended 12 September 1998.

Profits and dividends

The group profit and loss account is on page 8. Profit for the financial year amounted to £250 million and the dividends to £157 million. The transfer to reserves totalled £93 million. Dividends are detailed in note 9 on page 19.

Review of activities

The activities of the group principally concern the processing and manufacture of food in Europe, Australia and the United States, as well as textile retailing in the United Kingdom and the Republic of Ireland. The group disposed of its food retailing businesses during the previous financial year. Comments on the development of the business during the period under review and on the future outlook are given below.

Fixed assets

The majority of the group's fixed tangible assets are included in the financial statements at 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 are unable to quantify the excess.

Development

Group profit before tax was £369 million. This was achieved despite the £37 million impact of the continuing high levels of sterling and the provision for exceptional costs of £19 million. After excluding the profit arising from the 1997 sale of our Irish food retailing interests and our adhesives business in Australia totalling £424 million, the comparable profit before tax for 1997 was £408 million.

Group turnover of our continuing operations at £4,195 million is £242 million below last year. After allowing for the adverse currency affect of £277 million and the closure of a high volume but low margin European commodity trading operation last year, sales show an underlying increase of 6 per cent.

British Sugar contributed profits of £151 million, £28 million below last year. The benefits of another excellent harvest and past capital investment programmes were more than offset by the appreciation in the Green Pound and the full provision for the recently announced European Commission fine.

Shareholders will have read in the newspapers that the European Commission has imposed a fine of Ecu 39.6 million, equivalent at current exchange rates to £28 million, on British Sugar plc pursuant to Article 85 of the European Treaty. This was in respect of matters which occurred between 1986 and 1990, prior to Associated British Foods plc acquiring ownership of British Sugar. British Sugar is to appeal against this decision which we believe to be out of all proportion to the alleged offence. Including an additional charge of £13 million taken as an exceptional charge in the current year, full provision has been made for the fine.

Results from our milling and baking divisions were adversely affected by the poor 1997 harvest and continuing surplus capacity in the plant baking market. Rationalisation and restructuring of our bakeries continues and during the year provision was made for the closure of our Nottingham bakery.

Our animal feed division ABN has continued to suffer from the after affects of the BSE crisis and the financial pressures on farmers who are struggling with low prices due to oversupply.

Other manufacturing divisions within the UK largely produced results in excess of last year. Twinings had a record year in spite of the strength of sterling in the markets in which they operate and achieved best ever sales volumes in Europe. However, Burtons Biscuits came under pressure from greater competition from local manufacturers in export markets and the dramatic decline in the Russian economy and as a result profits were lower than the record achieved last year.

ABF INVESTMENTS plc

REPORT OF THE DIRECTORS

Development — *continued*

Primark, our clothing retail operation, has gone from strength to strength returning another year of record profits, up by 26 per cent to £23 million on a turnover of £295 million up 16 per cent on the comparable period last year.

George Weston Foods operating in Australia and New Zealand had a particularly difficult year in an aggressive competitive environment particularly in the baking industry. Profits were reduced from £33 million to £25 million although £6 million of this reduction is attributable to currency translation following the weakness of the Australian dollar.

In the United States, AC Humko and Abitec have had a remarkable year, generating profits of £19 million, a £10 million advance on last year due to our rationalisation and integration programme coming to fruition. Further small acquisitions complementing the existing business have been made during the year, which together with an ongoing capital expenditure programme, has increased our investment in the United States to over £200 million.

Investment opportunities in the Far East and Asia have been limited due to political and economic uncertainties. British Sugar has, however, secured a further investment in China, taking a majority shareholding in a sugar refinery. In view of the instability within Indonesia, we have agreed with our joint venture partner to mothball the newly built glucose factory in this country until a more favourable business climate returns. The investment has been written down in our books by £6 million which has been treated as an exceptional item.

Investment income for the year has increased from £69 million to £117 million, the main factors being a combination of a strong performance from our fund managers, who exceeded the targets set on the funds held under management, and the full year effect of the income arising on the funds realised upon the disposal of our Irish retail companies.

“Year 2000 and the millennium computer bug” headlines have been attracting attention for some time. The ABF Investments group initiated a Year 2000 compliance programme in 1996/97 to address the group’s exposure to these issues, with each division forming a committee to monitor compliance progress and to ensure that adequate resources are available either to replace or upgrade existing systems by early 1999.

A large proportion of the compliance effort has been in the normal upgrades and replacement of existing networks and production facilities. This expenditure has amounted to some £8 million during the current year, of which £5 million has been charged to operating profits. The balance has been capitalised in accordance with group accounting policies. It is forecast that future expenditure on Year 2000 remedial work will be some £15 million, of which £9 million will be charged against operating profits.

Whilst there can be no absolute guarantees that the group will not be subject to a Year 2000 failure, we are in the process of taking the necessary steps to ensure that contingency plans minimise disruption to our supply chain and to our customers.

On 1 January 1999 the Euro will become the official single currency of the eleven countries forming the European Monetary Union. Although the United Kingdom has, at present, opted out of the single currency, the group’s subsidiaries based in those countries will be directly affected by the introduction of the Euro and have therefore made the necessary administrative and accounting arrangements to handle non-cash transactions in the new single currency where required. Euro notes and coins will not be in use until 1 January 2002 but arrangements for handling cash and for dealing with the changeover are well advanced.

Substantial shareholdings

Details of a controlling interest in the shares of the company are given in note 29 on page 26.

Research and development

The trading companies and Weston Research Laboratories Limited develop existing technology, research new products and continuously monitor the maintenance of standards. Major facilities exist at Weston

ABF INVESTMENTS plc

REPORT OF THE DIRECTORS

Research at Maidenhead, British Sugar at Norwich, George Weston Foods in Australia and at AC Humko in the United States.

United Kingdom charitable and political contributions

Contributions to charitable organisations in the group during the year totalled £0.2 million (1997 - £0.4 million). No contributions were made to political organisations during the year (1997 - Nil).

Employees

The directors recognise the benefits which accrue from keeping employees informed of the development of the business and involving them in the group's progress.

The group is organised on a divisional basis and directors or managers of each division continue to evolve procedures appropriate to their size and organisation designed to keep employees and their representatives briefed on all relevant matters.

It is policy within the group to offer equal opportunities to disabled persons in their recruitment, training and career development, having due regard to their aptitudes and abilities in relation to jobs available. Every attempt is made to give those who become disabled in the workplace an opportunity to be trained and redeployed.

Corporate governance

ABF Investments plc is a wholly owned subsidiary of Associated British Foods plc. Particulars of that company's compliance with the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee) is set out in their financial statements.

Directors

A list of the directors of the company at the end of the year appears on page 2 and a schedule of their interests in the shares of the group appears on page 30. No director has a contract of service with the company which is not determinable within one year without payment of compensation.

In accordance with the Articles of Association, Mr GH Weston retires from the board by rotation and, being eligible, offers himself for re-election. Other than as disclosed in the financial statements, at no time during the year has any director had any material interest in a contract with the company, being a contract of significance to either party.

Payments to suppliers

The group does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers at the time it enters into binding purchasing contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The group seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

ABF Investments plc has no trade creditors.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

THM Shaw Secretary

2 November 1998



ABF INVESTMENTS plc

CORPORATE GOVERNANCE

ABF Investments plc is a wholly owned subsidiary of Associated British Foods plc. The directors of ABF Investments plc are also directors of Associated British Foods plc.

Full details of Associated British Foods plc's compliance with the recommendations of the Code of Best Practice drawn up by the Cadbury Committee on Corporate Governance ("the Cadbury Code") and with Section A of the best practice provisions annexed to the Stock Exchange Listing rules introduced following the publication of the Directors' remuneration - Report of a Study Group chaired by Sir Richard Greenbury ("the Greenbury Code") are set out in that company's accounts for the year ended 12 September 1998. In summary, the board of Associated British Foods plc considers that the company complies with the Cadbury and Greenbury Codes with the exception of the provisions relating to the size and constitution of the Audit and Remuneration Committees. It is recommended that these committees should be comprised of non executive directors with no executive representation. The board of Associated British Foods plc does not accept this recommendation as it considers that Mr Garry H Weston, Executive Chairman, should serve on both committees.

The company's affairs are controlled by Associated British Foods plc and, with the exception of a statement affirming the company as a going concern, it is not considered appropriate or necessary for the company to comply with the recommendations of the Cadbury and Greenbury Codes.

Amendment No. 6 to the Listing Rules exempts the company from including a statement on Corporate Governance in these accounts on the basis that it only has debt securities listed.

The provisions of Amendment No. 6 which implement certain recommendations of the Greenbury Code do not apply to companies with only debt securities listed.

Going concern

After making due enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements.

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

ABF INVESTMENTS plc
AUDITORS' REPORT TO THE MEMBERS OF ABF INVESTMENTS plc

We have audited the financial statements on pages 8 to 29.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

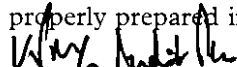
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 12 September 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc

Chartered Accountants
Registered Auditor
London

2 November 1998

ABF INVESTMENTS GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the year ended 12 September 1998 £m	For the year ended 13 September 1997 £m
	Note		
Turnover of the group including its share of joint ventures			
Continuing operations		4,202	4,437
Discontinued operations		–	766
		4,202	5,203
Less share of turnover of joint ventures		(7)	–
Group turnover	1	4,195	5,203
Operating costs	2	(3,907)	(4,839)
Group operating profit			
Continuing operations		288	336
Discontinued operations		–	28
		288	364
Share of operating results of – joint ventures		(3)	–
associates		2	–
Total operating profit	1	287	364
Operating profit before exceptional items	1	306	–
Exceptional items	1	(19)	–
Continuing operations			
Profits less losses on sale of properties		(3)	4
Profit on sale of businesses	26	–	4
Discontinued operations			
Profits less losses on sale of properties		–	2
Profit on sale of businesses	26	–	420
Investment income	6	117	69
Profit on ordinary activities before interest		401	863
Interest payable	7	(32)	(31)
Profit on ordinary activities before taxation		369	832
Tax on profit on ordinary activities	8	(117)	(131)
Profit on ordinary activities after taxation		252	701
Minority interests – equity		(2)	(8)
Profit for the financial year		250	693
Dividends	9	(157)	(1)
Retained profit for the financial year	21	93	692
Earnings per ordinary share	10	55.6p	154.1p

The group has made no material acquisitions within the meaning of the Financial Reporting Standards during either 1998 or 1997.

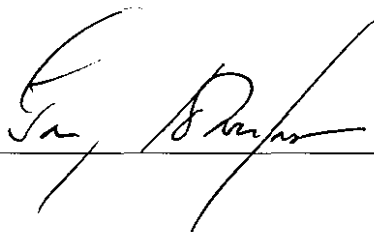
ABF INVESTMENTS GROUP

CONSOLIDATED BALANCE SHEET

	Note	As at 12 September 1998 £m	As at 13 September 1997 £m
Fixed assets			
Tangible fixed assets	11	1,439	1,396
Interest in net assets of – joint ventures associates	13 13	3 6	– –
Other investments	13	3	12
Total investments		12	12
		1,451	1,408
Current assets			
Stocks	14	428	416
Debtors	15	478	484
Investments	16	1,512	1,474
Cash at bank and in hand		59	39
		2,477	2,413
Creditors amounts falling due within one year			
Short term borrowings	17	(55)	(58)
Other creditors	18	(716)	(608)
		(771)	(666)
Net current assets		1,706	1,747
Total assets less current liabilities		3,157	3,155
Creditors amounts falling due after one year			
Loans	17	(157)	(157)
Other creditors	18	(13)	(15)
		(170)	(172)
Provision for liabilities and charges	19	(55)	(54)
		2,932	2,929
Capital and reserves			
Called up share capital	20	22	22
Share premium account	21	192	192
Revaluation reserve	21	3	4
Other reserves	21	1	1
Profit and loss account	21	2,648	2,639
Equity shareholders' funds		2,866	2,858
Minority interests in subsidiary undertakings – equity		66	71
		2,932	2,929

These financial statements were approved by the board of directors on 2 November 1998 and were signed on its behalf by:

Garry H Weston Director



ABF INVESTMENTS GROUP
CONSOLIDATED CASH FLOW STATEMENT

	Note	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 £m
Cash flow from operating activities	25	537	386
Dividends from joint ventures		1	–
Dividends from associates		1	–
Returns on investments and servicing of finance			
Dividends and other investment income		112	63
Interest paid		(33)	(20)
Dividends paid to minorities		(2)	(12)
		77	31
Taxation		(108)	(143)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(226)	(254)
Sale of tangible fixed assets		10	23
Purchase of equity investments		(3)	–
Sale of equity investments		3	1
		(216)	(230)
Acquisitions and disposals			
Purchase of new subsidiary undertakings	26	(57)	(48)
Advances to joint ventures		(1)	–
Purchase of associated undertakings		–	(5)
Sale of subsidiary undertakings	26	–	647
		(58)	594
Equity dividends paid		(157)	(1)
Net cash inflow before use of liquid funds and financing		77	637
Management of liquid funds	28	(67)	633
Financing	27	(12)	(12)
Increase in cash	28	156	16
		77	637

ABF INVESTMENTS GROUP
CONSOLIDATED STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 £m
Profit for the financial year	250	693
Currency translation differences on foreign currency net assets	(53)	(47)
Total recognised gains and losses	197	646

CONSOLIDATED STATEMENT OF HISTORICAL COST PROFITS

There is no material difference between the group results as reported and on an unmodified historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the year ended 12 September 1998		For the year ended 13 September 1997	
	Group £m	Company £m	Group £m	Company £m
Profit for the financial year	250	192	693	642
Dividends	(157)	(157)	(1)	(1)
Retained profit for the financial year	93	35	692	641
Other recognised gains and losses relating to the year	(53)	-	(47)	-
Goodwill acquired and written off during the year	(32)	-	(31)	-
Goodwill written back during the year	-	-	2	-
Net increase in shareholders' funds	8	35	616	641
Opening shareholders' funds	2,858	1,229	2,242	588
Closing shareholders' funds	2,866	1,264	2,858	1,229

ABF INVESTMENTS plc
BALANCE SHEET OF THE COMPANY

	Note	As at 12 September 1998 £m	As at 13 September 1997 £m
Fixed assets			
Shares in subsidiary undertakings	24	914	904
Current assets			
Debtors	15	139	—
Investments	16	246	565
		385	565
Creditors amounts falling due within one year			
Loans	17	(7)	(7)
Other creditors	18	(28)	(233)
		(35)	(240)
Net current assets		350	325
		1,264	1,229
Capital and reserves			
Called up share capital	20	22	22
Share premium account	21	192	192
Profit and loss account	21	1,050	1,015
Equity shareholders' funds		1,264	1,229

These financial statements were approved by the board of directors on 2 November 1998 and were signed on its behalf by:

Garry H Weston Director



ABF INVESTMENTS GROUP

ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable accounting standards and the Companies Act 1985.

Basis of consolidation

The group accounts comprise a consolidation of the accounts of the company and all its subsidiaries together with the group's share of the results and net assets of its associates and joint ventures. The financial statements of the company and its subsidiary undertakings are made up for the year ended 12 September 1998, except for those of the Australian and New Zealand Group and China and Poland which are made up to 31 July 1998, and the North American subsidiary undertakings which are made up to 31 August 1998 to avoid delay in the preparation of the consolidated financial statements.

Acquisitions

The consolidated profit and loss account includes the results of new subsidiary undertakings, associates and joint ventures attributable to the period since acquisition. The excess of the purchase price of new subsidiary undertakings, associates, and joint ventures over the fair value of net assets acquired is written off against reserves in the year of acquisition.

Disposals

The results of subsidiary undertakings, associates and joint ventures sold are included up to the dates of change of control. The profit or loss on the disposal of an acquired business takes into account the attributable value of purchased goodwill relating to that business.

Foreign currencies

Assets and liabilities overseas are converted into sterling at the rates of exchange ruling at the balance sheet date. The results of overseas operations have been translated at the average rate prevailing during the year. Exchange differences arising on consolidation are taken direct to reserves. Other exchange differences are dealt with as part of operating profits.

Pensions

The group has established separately funded pension schemes for the benefit of permanent staff, which vary with employment conditions in the countries concerned. Net pension costs are charged to income over the expected average remaining service lives of employees. Any differences between the charge for pensions and total contributions is included within pension provisions or debtors as appropriate.

Research and development

Expenditure in respect of research and development is written off against profits in the period in which it is incurred.

Fixed asset investments

Associated undertakings and joint ventures are accounted for in the financial statements of the group under the equity method of accounting. Other fixed asset investments in the group's accounts, and all fixed asset investments in the accounts of the company are stated at cost less amounts written off in respect of any permanent diminution in value.

ABF INVESTMENTS GROUP ACCOUNTING POLICIES

Depreciation

Depreciation, calculated on cost or on valuation, is provided on a straight line basis to residual value over the anticipated life of the asset. No depreciation is provided on freehold land. Leaseholds are written off over the period of the lease. The anticipated life of other assets is generally deemed to be not longer than:

Freehold buildings	66 years
Plant, machinery, fixtures and fittings:	
Sugar factories	20 years
Other operations	12 years
Vehicles	8 years

Leases

All material leases entered into by the group are operating leases whereby substantially all of the risks and rewards of ownership of an asset remain with the lessor. Rental payments are charged against profits on a straight line basis over the life of the lease.

Stocks

Stocks are valued at the lower of cost or net realisable value, after making due provision against obsolete and slow-moving items. In the case of manufactured goods the term "cost" includes ingredients, production wages and production overheads.

Current asset investments

Current asset investments are stated at the lower of cost or market value.

Deferred tax

Deferred tax represents corporation tax in respect of accelerated taxation allowances on capital expenditure and other timing differences, to the extent that a liability is anticipated in the foreseeable future.

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. ANALYSIS OF TURNOVER, PROFITS AND NET ASSETS

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 Continuing operations £m	Discontinued operations £m	Total £m
Turnover				
Geographical analysis (by origin and destination):				
European Union, mainly United Kingdom and Ireland	3,023	3,307	766	4,073
Australia and New Zealand	534	620	–	620
North America	557	453	–	453
Elsewhere, mainly Asia	81	57	–	57
Group turnover	4,195	4,437	766	5,203
Business sector:				
Manufacturing	3,900	4,181	–	4,181
Retail	295	256	766	1,022
Group turnover	4,195	4,437	766	5,203
Profits				
Geographical analysis (by origin):				
European Union, mainly United Kingdom and Ireland	258	283	28	311
Australia and New Zealand	25	33	–	33
North America	22	13	–	13
Elsewhere, mainly Asia	1	7	–	7
Total operating profit before exceptional items	306	336	28	364
Exceptional items – European Union	(13)	–	–	–
Elsewhere, mainly Asia	(6)	–	–	–
Total operating profit	287	336	28	364
Business sector:				
Manufacturing	283	317	–	317
Retail	23	19	28	47
Total operating profit before exceptional items	306	336	28	364
Exceptional items – Manufacturing	(19)	–	–	–
Total operating profit	287	336	28	364
Other net income	82	47	421	468
Profit on ordinary activities before taxation	369	383	449	832
Net assets				
Geographical analysis (by origin):				
European Union, mainly United Kingdom and Ireland	1,303	1,287	–	1,287
Australia and New Zealand	209	230	–	230
North America	188	148	–	148
Elsewhere, mainly Asia	84	45	–	45
	1,784	1,710	–	1,710
Business sector:				
Manufacturing	1,696	1,609	–	1,609
Retail	88	101	–	101
	1,784	1,710	–	1,710
Net financial assets	1,148	1,219	–	1,219
	2,932	2,929	–	2,929

Exceptional items arising in the year relate to an increase in provisions of £13 million for the British Sugar European Commission fine and a charge of £6 million for a write down within our joint ventures.

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2. OPERATING COSTS

	For the year ended 12 September 1998 £m	For the year ended 13 September 1997 Continuing operations £m	Discontinued operations £m	Total £m
Cost of sales	3,183	3,380	565	3,945
Distribution costs	537	519	148	667
Administrative expenses	187	202	25	227
Operating costs	3,907	4,101	738	4,839

	1998 £m	1997 £m
Operating costs are stated after charging:		
Staff costs	556	642
Depreciation of fixed tangible assets	151	156
Hire of plant and machinery	6	8
Rentals payable under property leases	18	16
Research and development	9	7

The remuneration of the auditors in respect of audit services provided to the group during the year was £1.8 million (1997 – £1.9 million). The remuneration of the auditors and its associates in respect of non-audit services to the company and its UK subsidiaries was £0.6 million (1997 – £1.4 million).

3. EMPLOYEES

	1998	1997
Average number of employees:		
European Union, mainly United Kingdom and Ireland	21,763	31,160
Australia and New Zealand	7,115	7,075
North America	1,577	1,399
Elsewhere, mainly Asia	2,195	677
	32,650	40,311
	£m	£m
Staff costs:		
Wages and salaries	500	579
Social security costs	31	38
Other pension costs	25	25
	556	642

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4. DIRECTORS' REMUNERATION

The remuneration of the directors was as follows:

	Salary or fees £000	Benefits £000	1998 Total £000	1997 Total £000
GH Weston	382	12	394	386
HW Bailey	107	13	120	332
THM Shaw	171	14	185	155
	660	39	699	873

Benefits include the value attributable to benefits such as company cars, fuel and medical insurance.

Pension benefits earned by the directors⁽¹⁾:

	Age at year end	Normal retirement age	Directors' Contributions in the year ⁽²⁾		Increase in accrued pension entitlement during the year		Accumulated total accrued pension at year end	
			1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
HW Bailey	62	65	—	4	—	4	—	162
THM Shaw	64	65	8	9	7	8	110	99

(1) The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, or date of retirement if earlier. HW Bailey started to draw his pension from the scheme on 10 January 1997.

(2) Directors' contributions in the year relate to contributions paid or payable in the year by the directors under the terms of the scheme.

(3) The increase in accrued pension during the year excludes any increase for inflation.

Dependant's pensions – A 50% spouse's pension is payable on death or after retirement.

Early retirement rights – The directors may retire before their normal retirement age, subject to a reduction for early payment.

Pension increases – Pensions are guaranteed to increase in line with the increases in RPI limited each year to 5%. Additional discretionary increases have been granted in the past.

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

5. PENSION COSTS

The group operates pension schemes, the majority of which are of the defined benefit type. The pension cost charge for the year was £25 million (1997 – £25 million).

The two main United Kingdom Schemes provide benefits based on final pensionable earnings. The pension costs in the United Kingdom are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The last actuarial valuations of the two major schemes were carried out as at 5 April 1996 and 1 October 1995.

In these valuations it was assumed that the investment return would exceed price inflation by 4%, that salary increases would exceed price inflation by 2% and that increases in dividends would fall behind price inflation by between 0.5% and 0.75%. At the valuation dates the total market value of the two major schemes' assets was £1,382 million and the actuarial value of these assets represented 126% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The group also operates pension schemes in Australia and New Zealand and the United States. The charge for the year is based on recommendations by qualified local actuaries.

6. INVESTMENT INCOME

	1998 £m	1997 £m
Dividend income – current asset equity investments	2	2
associated undertakings	–	1
Interest from other current asset investments – listed	3	–
unlisted	110	66
Profit on sale of current asset equity investments	2	–
	117	69

7. INTEREST PAYABLE

	1998 £m	1997 £m
Bank loans and overdrafts	–	1
Other loans	32	30
	32	31

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £m	1997 £m
The charge for the year is as follows:		
United Kingdom: – corporation tax at 31% (1997 – 32%)	86	92
Overseas: – income and corporation tax	26	40
– deferred tax	3	(1)
Associates and joint ventures	2	–
	117	131

The charge for United Kingdom corporation tax is stated after a deduction of £1 million for double taxation relief (1997 – £75 million) on dividends received from overseas subsidiaries.

The tax charge for the year has been reduced by capital losses, indexation and a rebasing of the tax value of assets.

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

9. DIVIDENDS OF ABF INVESTMENTS plc

	1998 £m	1997 £m
Ordinary dividends	157	1

10. EARNINGS PER ORDINARY SHARE

The calculation is based on available profit for the financial year of £250 million (1997 – £693 million) and 450 million shares (1997 – 450 million) being the number of ordinary shares in issue during the year.

11. FIXED TANGIBLE ASSETS

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Payments on account £m	Total £m
Cost or valuation at 13 September 1997	585	1,480	164	72	2,301
Effect of currency changes	(22)	(56)	(6)	(3)	(87)
New subsidiary undertakings	18	20	1	–	39
Additions	31	184	14	(5)	224
Transfers to joint ventures	(1)	(11)	–	–	(12)
Disposals	(8)	(29)	(8)	–	(45)
Cost or valuation at 12 September 1998	603	1,588	165	64	2,420
Depreciation at 13 September 1997	96	716	93	–	905
Effect of currency changes	(3)	(30)	(4)	–	(37)
Provided during year	13	121	17	–	151
Transfers to joint ventures	–	(6)	–	–	(6)
On disposals	(3)	(21)	(8)	–	(32)
Depreciation at 12 September 1998	103	780	98	–	981
Net book value at 12 September 1998	500	808	67	64	1,439
Net book value at 13 September 1997	489	764	71	72	1,396
				1998 £m	1997 £m
Analysis of land and buildings at net book value:					
Freehold				450	442
Long leasehold				42	39
Short leasehold				8	8
				500	489

Land and buildings stated at valuation had a net book value at 12 September 1998 of £17 million (1997 – £21 million) based on valuations carried out principally in 1981/82. On an historical cost basis the net book value of these assets at 12 September 1998 would have been £13 million (1997 – £16 million).

The book value of land as at 12 September 1998 not amortised in the financial statements was £66 million (1997 – £69 million).

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

12. CAPITAL COMMITMENTS

There are commitments for capital expenditure by the group of approximately £51 million (1997 – £46 million) for which no provision has been made in these financial statements.

13. FIXED ASSET INVESTMENTS

	Joint ventures £m	Associates £m	Other investments £m	Total £m
At 13 September 1997	7	3	2	12
Effect of currency changes	(3)	(1)	–	(4)
Transfers	3	3	–	6
Share of profits less losses retained	(4)	1	–	(3)
Additions	–	–	1	1
At 12 September 1998	3	6	3	12

Details of the principal joint ventures and associated undertakings and other investments are given on page 29. Interests in the net assets of joint ventures include the group's share of gross assets of joint ventures of £8 million and the group's share of gross liabilities of joint ventures of £5 million.

14. STOCKS

	1998 £m	1997 £m
Raw materials and consumables	172	170
Finished goods and goods for resale	256	246
	428	416

15. DEBTORS

	Company		Group	
	1998 £m	1997 £m	1998 £m	1997 £m
Trade debtors	–	–	410	421
Amounts owed by holding company	139	–	–	–
Other debtors	–	–	37	36
Prepayments and accrued income	–	–	31	27
	139	–	478	484

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

16. CURRENT ASSET INVESTMENTS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Listed on a recognised stock exchange				
– equity investments	6	6	22	20
other listed investments	–	–	84	3
Unlisted investments	240	559	1,406	1,451
	246	565	1,512	1,474

The market value of the group's equity investments was £32 million (1997 – £31 million). Other listed and unlisted investments comprise interest bearing instruments and deposits. Listed investments include £1 million (1997 – £1 million) quoted on overseas stock exchanges.

17. LOANS AND SHORT TERM BORROWINGS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Bank loans and overdrafts	–	–	21	37
Other loans				
Wholly repayable within five years				
5½% unsecured loan stock 1987/2002	2	2	2	2
7½% unsecured loan stock 1987/2002	5	5	5	5
Other unsecured loans	–	–	6	12
Secured loans	–	–	24	5
Wholly or partly repayable after five years				
10¼% redeemable debenture stock 2013 (secured)	–	–	150	150
Other unsecured loans	–	–	4	4
	7	7	212	215
Creditor analysis				
Repayable:				
in one year or less – bank loans and overdrafts	–	–	21	37
other loans	7	7	34	21
	7	7	55	58
beyond one year – between one and two years	–	–	3	2
between two and five years	–	–	1	1
in more than five years	–	–	153	154
	–	–	157	157

The secured loans are secured by floating charges over the assets of subsidiary undertakings.

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

18. CREDITORS

	Company		Group	
	1998	1997	1998	1997
	£m	£m	£m	£m
Amounts falling due within one year				
Trade creditors	–	–	223	233
Taxation on profits	18	10	121	117
Other taxation and social security	–	–	20	17
Accruals and deferred income	10	13	251	239
Amounts owed to holding company	–	210	101	2
	28	233	716	608
Amounts falling due after one year				
Taxation on profits	–	–	13	15

Taxation falling due after one year of £13 million includes £12 million payable on or before 30 September 1999.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Restructuring and other provisions	£m
At 13 September 1997	54
Effect of currency changes	(1)
Profit and loss account – charged	17
released	(4)
Utilised	(11)
At 12 September 1998	55

No provision for deferred tax is required (1997 – £nil). The full potential liability in respect of accelerated capital allowances and other timing differences at 12 September 1998 was £89 million (1997 – £84 million).

No deferred tax provision has been made in these financial statements for the additional tax which may be payable on the remittance to this country of the group's share of profits retained by overseas subsidiary undertakings.

20. SHARE CAPITAL OF ABF INVESTMENTS plc

	Ordinary shares 5p each thousands	Nominal value £m
Authorised		
At 12 September 1998 and 13 September 1997	600,000	30
Issued		
At 12 September 1998 and 13 September 1997	449,815	22

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

21. RESERVES

	Share premium account £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m
GROUP				
At 13 September 1997	192	4	1	2,639
Effect of currency changes	–	(1)	–	(52)
Retained profits for the year	–	–	–	93
Goodwill written off	–	–	–	(32)
At 12 September 1998	192	3	1	2,648
COMPANY				
At 13 September 1997	192	–	–	1,015
Retained profits of the year	–	–	–	35
At 12 September 1998	192	–	–	1,050

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented for the company. The cumulative amount of goodwill written off as a result of acquisitions made in the current and earlier financial periods is £472 million (1997 – £448 million).

22. CONTINGENT LIABILITIES

The company and four UK subsidiary undertakings are party to cross guarantee and letter of charge arrangements in respect of their bank accounts with one of the group's bankers. Under these arrangements the company guarantees the payment of, or discharge to the bank, of all monies and liabilities incurred by the other companies to the bank and all monies standing to the credit of any of the company's accounts in the bank's books shall stand charged, by way of fixed and specific charge, with the payment of all monies due by the other companies to the bank.

Litigation and other proceedings against companies in the group are not considered material in the context of these financial statements.

23. LEASES

The group has minimum annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	Within one year £m	Two to five years £m	Over five years £m	Total £m
Land and buildings	2	3	11	16
Others	1	2	1	4
At 12 September 1998	3	5	12	20
Land and buildings	2	2	10	14
Others	1	2	1	4
At 13 September 1997	3	4	11	18

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

24. SHARES IN SUBSIDIARY UNDERTAKINGS

	£m
At 13 September 1997	904
Additions	10
At 12 September 1998	914

Investments in subsidiary undertakings are shown at cost less amounts written off. A list of the principal trading subsidiary undertakings is given on page 28. Except where noted, none of the companies shown is a direct subsidiary undertaking of ABF Investments plc.

The entire share capital of the companies listed are held within the group except where percentages are shown. These percentages give the group's ultimate interest and therefore allow for the position where subsidiaries are owned by partly owned intermediate subsidiaries.

25. CASH FLOW FROM OPERATING ACTIVITIES

	1998	1997
	£m	£m
Operating profit	287	364
Depreciation	151	156
Movement in amounts due to holding company	106	(98)
(Increase)/decrease in working capital		
– stocks	(16)	(6)
debtors	3	(16)
creditors	4	(30)
Provisions	2	16
Net cash from operating activities	537	386

ABF INVESTMENTS GROUP
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

26. ACQUISITIONS AND DISPOSALS

	Acquisitions		Disposals	
	1998	1997	1998	1997
	£m	£m	£m	£m
Net assets				
Tangible fixed assets	39	18	-	302
Stocks	12	10	-	66
Debtors	14	6	-	20
Cash at bank and in hand	1	2	-	37
Creditors	(24)	(11)	-	(167)
Bank overdrafts	(1)	-	-	(21)
Loans and finance leases	(8)	-	-	-
Minority interests	(8)	-	-	-
Net assets acquired/disposed	25	25	-	237
Goodwill	32	31	-	2
Profit on disposal	-	-	-	424
Total consideration	57	56	-	663
Satisfied by				
Issue of short term loan notes	-	6	-	-
Cash	57	50	-	663
	57	56	-	663
Net cash				
Cash consideration	57	50	-	663
Cash and borrowings acquired/(disposed)	-	(2)	-	(16)
	57	48	-	647

There have been no material fair value adjustments on acquisitions.

On 8 May 1997 the group disposed of its interests in the Power Supermarkets and Stewarts food retailing groups for £639 million realising a profit before tax on disposal of £420 million after deducting goodwill written back of £2 million.

27. ANALYSIS OF CHANGES IN FINANCING

	1998	1997
	£m	£m
Issue of short term loans	(33)	(8)
Repayment of short term loans	24	5
Issue of loans over one year	2	(2)
Repayment of loans over one year	-	1
Shares issued to minority shareholders	(5)	(8)
	(12)	(12)

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

28. NET FUNDS

	Invest- ments £m	Cash at bank £m	Short term borrow- ings £m	Loans over one year £m	Total £m
Increase in cash	68	(30)	(22)	–	16
Financing (note 27)	–	(8)	(3)	(1)	(12)
Management of liquid funds	633	–	–	–	633
Shares issued to minority shareholders	–	8	–	–	8
Sale of equity investments	(1)	–	–	–	(1)
Transfers	–	–	(7)	7	–
Loan notes issued to acquire a subsidiary undertaking	–	–	(6)	–	(6)
Effect of currency changes	(7)	(6)	13	–	–
Movement in net funds in the year – 1996/97	693	(36)	(25)	6	638
Net funds at 14 September 1996	781	75	(33)	(163)	660
Net funds at 13 September 1997	1,474	39	(58)	(157)	1,298
Increase in cash	117	23	16	–	156
Financing (note 27)	–	(5)	(9)	2	(12)
Management of liquid funds	(67)	–	–	–	(67)
Shares issued to minority shareholders	–	5	–	–	5
Sale of equity investments	(1)	–	–	–	(1)
Changes in market value	3	–	–	–	3
Arising on acquisition of subsidiary undertakings	–	–	(5)	(3)	(8)
Effect of currency changes	(14)	(3)	1	1	(15)
Movement in net funds in the year – 1997/98	38	20	3	–	61
Net funds at 13 September 1997	1,474	39	(58)	(157)	1,298
Net funds at 12 September 1998	1,512	59	(55)	(157)	1,359

Liquid funds comprise interest bearing instruments and deposits.

29. HOLDING COMPANY INFORMATION

The ultimate parent undertaking is Wittington Investments Limited which is incorporated in Great Britain and registered in England. The company is a wholly owned subsidiary of Associated British Foods plc. The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc which is incorporated in Great Britain and registered in England. The consolidated financial statements of Associated British Foods plc are available to the public at 3-5 Rickmansworth Road, Watford, Hertfordshire, WD1 7HG.

ABF INVESTMENTS GROUP

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

30. RELATED PARTY TRANSACTIONS

The ABF Investments plc group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	1998 £m	1997 £m
Sales to fellow subsidiaries on normal trading terms	1	6	6
Amounts due from fellow subsidiary undertakings	1	1	1
Sales to associates and joint ventures on normal trading terms	2	21	62
Purchases from associates and joint ventures on normal trading terms	2	16	3
Amounts due from associates and joint ventures	2	5	9
Amounts due to associates and joint ventures	2	2	1

Sub notes

1. The fellow subsidiary company is Fortnum & Mason plc.
2. Details of the group's principal associated undertakings and joint ventures are set out on page 29.

ABF INVESTMENTS GROUP INVESTMENTS

Principal associated undertakings and joint ventures	Country of incorporation	Issued ordinary share capital	
		Total	Group percentage
C Czarnikow Sugar Limited	United Kingdom	£1,000,000	42
Harper-Love Adhesives Corporation	USA	US\$12,200	50
Mauri Products Limited	United Kingdom	£1,375,001	50
New Food Coatings Pty Ltd	Australia	A\$150,000	50
Proofex Limited	Republic of Ireland	IEP800,000	30
PT Associated British Budi	Indonesia	IDR 41,814 million	49.9
PT Budi British Bahan Pangan	Indonesia	IDR 9,524 million	49.9
W A Country Bakers Pty Limited	Australia	A\$1,000,000	50

There is no significant loan capital in any of the associates or joint ventures.
Each associate or joint venture operates mainly in its country of incorporation.

Other investments

Berisford plc	United Kingdom	£76,590,275	5
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ABF INVESTMENTS GROUP DIRECTORS' INTERESTS

Beneficial interests

The directors of the company at the end of the year had the following beneficial interests, including family interests, in the shares and debentures of the company, its holding company and its fellow subsidiaries and subsidiary undertakings.

	12 September 1998	13 September 1997
Garry H Weston		
Wittington Investments Limited, ordinary shares of 50p	4,925	4,925
Associated British Foods plc, ordinary shares of 5p	693,324	693,324
George Weston Foods Limited, ordinary shares of 5 cents	2,017	2,017
Harold W Bailey		
Associated British Foods plc, ordinary shares of 5p	160,000	160,000
Trevor HM Shaw		
Associated British Foods plc, ordinary shares of 5p	95,710	95,710

Controlling interest

The ultimate holding company of ABF Investments plc is Wittington Investments Limited, which holds 50.9% of the total issued ordinary share capital of the company's holding company Associated British Foods plc.

Non-beneficial interests

The directors of the company at the end of the period had the following non-beneficial interests:

- 1 Garry H Weston is a trustee of a trust, in which he has no beneficial interest, which at 12 September 1998 held 683,073 ordinary shares of 50p (1997 – 683,073) in Wittington Investments Limited.
- 2 Harold W Bailey and Garry H Weston are trustees of trusts, in which they have no beneficial interest, which at 12 September 1998 held 1,583,938 ordinary shares of 5p (1997 – 1,583,938) in Associated British Foods plc.
- 3 Garry H Weston is a trustee of a trust, in which he has no beneficial interest, which at 12 September 1998 held 400,000 ordinary shares of 5p (1997 – 400,000) in Associated British Foods plc.

Subsequent changes

The interests shown above remained the same at 2 November 1998.